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Country	Value	Country	Value
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Canada	20,000	Germany	20,000
Denmark	20,000	Italy	20,000
Finland	20,000	Japan	20,000
Greece	20,000	Netherlands	20,000
Ireland	20,000	Portugal	20,000
Spain	20,000	Sweden	20,000
Switzerland	20,000	UK	20,000
USA	20,000	West Germany	20,000

EUROPE'S BUSINESS NEWSPAPER

# FINANCIAL TIMES

COAL INDUSTRY

A black future  
without subsidies

Page 8

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FT No. 31,587

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Monday October 21 1991

World News

Business Summary

## Commonwealth leaders issue statement of principles

A declaration of principles to guide the Commonwealth in the 1990s was issued by the organisation's heads of government yesterday, stressing the importance of democratic processes and human rights. However, the declaration, drawn up after a weekend of informal talks in Zimbabwe, fell short of the tough prescriptions advocated by Britain.

**Motherland party rallies**  
Early returns from Turkey's general election looked likely to produce an inconclusive result, although the ruling Motherland party (Anap) appeared to be doing better than forecast. Anap had been expected to lose its overall majority. Page 18

**Earthquake hits India**  
More than 500 people were feared killed by an earthquake measuring 6.1 on the Richter scale, which rocked the Himalayan foothills in India's northern state of Uttar Pradesh. Page 4

**Croatian fighting eases**  
Fighting appeared to ease in Croatia after the federal army and leaders of the rebel republic ordered another ceasefire, though Belgrade radio reported fierce battles around Lipik and Jasenovac in central Croatia. Page 18

**SFO official arrested**  
An investigator with the UK's Serious Fraud Office working on the Bank of Credit and Commerce International inquiry has been arrested and charged with conspiracy to pervert the course of justice. Page 18

**Swiss coalition stays**  
The four-party coalition that has governed Switzerland since 1959 will continue to dominate the federal parliament for the next four years, according to early returns from the general election.

**Afghan fighting flares**  
Heavy fighting around three cities in eastern Afghanistan has been reported amid claims from Pakistani-based guerrilla news agencies that Mujahideen fighters have recaptured a key government military post outside Gardez city.

**Hawati visits Paris**  
Lebanese president Elias Hrawi arrived in Paris amid heavy security for a fence-mending visit in which he will ask for aid to help Lebanon recover from 15 years of civil war.

**Mobutu disavows PM**  
Zaire's embattled president Mobutu Sese Seko wants to sack newly appointed prime minister Edouard Mutebi and replace him with another candidate named by opposition parties.

**Brisbane jury undecided**  
Sir Joh Bjelke-Petersen, former conservative premier of Queensland who ran Australia's "deep north" for 18 years, may face a second trial after a Brisbane jury failed to decide whether he was guilty of perjury. Page 4

**Two killed in Soweto**  
Two residents of Soweto were killed after being shot by Inkatha supporters as they were travelling in a Johannesburg-bound train.

**Green watchdog urged**  
A UN-sponsored report has called for the creation of an international watchdog body to investigate worldwide environmental abuses.

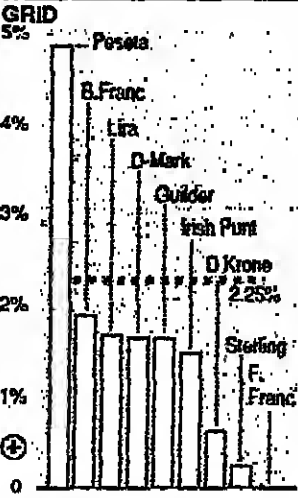
**Pope decries killings**  
Pope John Paul II, on a 10-day trip to Brazil, has decried death squad killings of thousands of street children and their exploitation as drug dealers or prostitutes.

## Kuwait \$5bn loan may be shunned by UK banks

Reluctance by leading UK banks to join other international banks at a senior level in Kuwait's \$5bn syndicated loan for postwar rebuilding could endanger British industry's chances of winning large contracts as well as the export of UK goods and services. Kuwait announced plans to borrow \$5bn in the syndicated loan market on October 10, marking its debut in the international capital markets. Page 19

**EUROPEAN Monetary System:**  
The French franc stayed at the bottom of the ERM grid last week after the Bank of France lowered its intervention rate by 1/2 percentage point to 8.75 per cent. But relief that the Bank of France had not cut rates by 1/2 point, as some dealers had feared, kept the franc steady against the D-Mark. Positive comments from the Bank of Spain on the outlook for inflation kept the peseta at the top of the grid. Page 19

EMS October 18, 1991



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS's narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling and the Spanish peseta operate with 6 per cent fluctuation bands. Currencies, Page 29; Economics Notebook, Page 19

**OLYMPIA & YORK, Canada-based international property company, has sold a 49 per cent stake in a New York office building to associates of Mr Li Ka-Shing, Hong Kong's biggest property developer, for an unknown sum. Page 21**

**APPLE COMPUTER** has teamed up with Sony, Japanese consumer electronics giant, which is to manufacture one of Apple's three new portable models of the Macintosh in Japan and California. Page 19

**MCDONNELL Douglas, US defence group, saw a substantial year-on-year rise in third quarter profits to \$77m and further improvement in its debt-to-equity ratio. Page 21**

**EXECUTIVE Life** saw five of the eight groups seeking to acquire the failed California insurance company raise their offers. Page 21

**BANK of England** last night expressed puzzlement over a meeting requested by small shareholders in Brent Walker, the troubled UK leisure group. Page 20

**UK economy:** two economic surveys indicate that the recession may be shifting gradually to recovery, although the strength of the upturn is proving difficult to assess. Page 18

**LADLAW, Canadian waste services and school bus operator, has lost more than a fifth of its value since reporting a \$468m quarterly loss last Wednesday. Page 21**

## Shamir's coalition votes 17-3 to accept the US-Soviet invitation

# Israelis agree to attend Middle East peace talks

By Hugh Carnegie in Jerusalem and Tony Walker in Nicosia

THE ISRAELI government yesterday elected by a wide margin to attend a Middle East peace conference to be convened in Madrid next week by the US and Soviet presidents. Few ministers in Mr Yitzhak Shamir's 20-member hardline coalition cabinet expressed enthusiasm for the talks, but only three voted against. They included Mr Ariel Sharon, the right-wing housing minister, the only member of Mr Shamir's Likud party to do so.

The decision consolidated preparations for the conference following the announcement of invitations last Friday by Mr James Baker, the US secretary of state, after eight months of diplomacy. Jordan also accepted over the weekend. The other leading participants - Syria, Lebanon and the Palestinians - are expected to meet Wednesday's deadline for formal acceptance of the US-Soviet invitation.

Mr Dan Meridor, the Israeli justice minister and a close associate of Mr Shamir, said there was no euphoria over the prospect of negotiations in which the Arab side will seek to give up Arab territories occupied since 1967.

"We'll have to be able and ready to be flexible when possible and stubborn when necessary - even if we are alone, even if everyone is angry with us - because we are talking

**White House double act**  
pays dividends: Toughest part still to come in complex search for peace; Ariel embarks on his biggest gamble, Page 2

**Editorial Comment,**  
Page 16

about the most vital Israeli interests to ensure our security for many years to come," Mr Meridor said.

The cabinet gave its assent despite failing to achieve one of its main preconditions - prior notice of the names of Palestinian delegates in the joint Jordanian-Palestinian delegation to the conference. It had to make do with Mr Baker's assurances that names selected by the Palestinian side would exclude figures directly tied to the Palestine Liberation Organisation or from Arab east Jerusalem.

A hitch could yet develop over the so far unpublished Palestinian list if Israel objects to any of the names. Officials have also warned that violent acts by extremists could upset the conference plans.

In Amman last night, Mr Yasser Arafat, the PLO leader, was consulting Jordanian officials and Palestinians from the Israeli occupied territories on the make-up of the Palestinian delegation.

The Palestinians had apparently still not finalised their list, but it is understood it will comprise 14 people, three or four of whom would not take part directly in negotiations but would act as consultants.

The head of the delegates who would conduct the talks was reported to be Dr Haidar Abdul-Shafi, the 72-year old head of the Gaza Strip Red Crescent Society and a long-time political activist.

The progress of talks beyond the initial three-day ceremonial conference opening is already subject to some uncertainty. Syria and Israel disagree on where they should hold their bilateral negotiations, which are due to start on the fourth day. Syria wants them held in Madrid, but Israel wants to move them back to the region, suggesting alternating sites in Israel and Syria.

A fortnight after the start of bilateral talks, other Arab states, including Egypt and the Gulf states, will begin multilateral discussions on regional issues, including the environment and water supplies. No fixed time limit on these discussions has yet been decided.

However, PLO officials said that Mr Arafat had agreed in talks on Saturday with President Hafez al-Assad of Syria that the multilateral discussions should not begin until the bilateral talks are over.



Right-wing minister Ariel Sharon was the only member of Yitzhak Shamir's Likud party to vote against the talks

## Release of US hostage in Lebanon expected soon

By Hugh Carnegie in Jerusalem

A US hostage in Lebanon was last night expected to be freed imminently, according to the United Nations in Beirut.

Israel was also said to be ready to release some Lebanese prisoners, indicating continued progress in UN efforts to arrange a global exchange of prisoners in the Middle East.

In Jerusalem, Mr Uri Lubrani, Israel's chief hostage negotiator, said he hoped all hostages would have left Lebanon by Christmas. "I hope that by the end of the year, by the end of 1991, this thing will be beyond us," he told Visnews, the television news agency. Israel refused to confirm the UN

statement that the expected release of an American hostage would be matched by the release of a number of Arab prisoners held by Israel's surrogate militia in south Lebanon. However, Mr Lubrani said the freeing of another hostage could trigger a further release of Israeli-held prisoners.

The UN statement did not say which of the five remaining US hostages in Lebanon was expected to be freed. Iranian media reports suggested that Mr Joseph Cicippio would be next. The other four US hostages among nine westerners still held are Mr Terry Anderson, Mr Thomas Sutherland, Alan Sten and Mr Jesse Turner.

The death of three Israeli soldiers in a bomb explosion in the so-called security zone that Israel occupies in south Lebanon yesterday underlined the government's reluctance to make concessions to the hostage takers without satisfying its demands in return. Responsibility was claimed in Beirut by Hizbollah, the militant Muslim fundamentalist organisation holding the remaining western hostages.

Mr Lubrani was clearly encouraged by news from Hizbollah, delivered via the UN, about the fate of Private Yossi Fink, a British-born Israeli soldier captured in 1988. Although Pte Fink was

confirmed to be dead - a fellow soldier captured with him was also confirmed dead last month - Mr Lubrani said the news showed the UN effort to release the hostages was proceeding.

Israel has received firm news that three of its seven missing men are dead. Hizbollah is demanding that Israel release all its 300 Lebanese prisoners in exchange for the western hostages. But Israel will not do so until all its soldiers are accounted for. Mr Lubrani declined to confirm a further release of Arab prisoners, saying Israel's release of 51 prisoners last month was part of the price paid for news about Pte Fink.

Continued on Page 18

## France changes tack on EC farm policy reforms

By William Dawkins in Paris

FRANCE gave qualified support to European Community farm policy reforms over the weekend, a sharp change in policy which gives hope of progress in the deadlocked talks on world trade reforms under the General Agreement on Tariffs and Trade.

The change in position, from one of the staunchest defenders of EC farm policy, comes in spite of violent protests from French farmers, who accuse the government of failing to defend their interests.

It also comes in the week after Germany's decision to back European Commission plans to curb farm subsidies and compensate farmers with direct income support, clearly increasing the pressure on France to accept some reform.

Farmers' demonstrations against the government continued over the weekend, causing President Francois Mitterrand to call a crisis meeting with the ministers responsible to consider a public order clamp-

down. Tyres were burnt in front of some local government offices, tractors staged go-slows on motorways and visits by ministers were interrupted by protests.

Mr Louis Mermaz, agriculture minister, will explain the government's position to EC agriculture ministers in Luxembourg today and tomorrow. "The time has come for France, with others, to make up a group of countries capable of European level of getting others to get reform of community agriculture policy moving," Mr Mermaz told a seminar at the weekend.

The EC must continue to be self-sufficient in food and be able to export, though without producing surpluses, he said, but "the laws of the market must not be the only brutal regulation for rural society". Government officials added that France was ready to agree to price cuts so long as they were spread out over more than three years, there was

clear compensation for loss of income, and any decline in the EC's share of world agricultural markets went to developing countries rather than the US.

The problem remained to persuade French farmers to change their traditional distaste for income support, which they suspect as the first step towards abandonment of public support for farming. Mr Mermaz is promising widespread consultations with the farmers at the end of this month.

France's conversion to farm policy reform, agreed by an interministerial committee late last week, appears to contain more qualifications than Germany's, subject to the details to be explained by Mr Mermaz today. Even so, it could further increase the EC's negotiating flexibility in Gatt, where talks were halted last December by a deadlock among countries on farm subsidies.

# KOREA

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Kazakhstan's President Nazarbayev is the subject of considerable interest - he favours preserving a political and economic union, he is one of the first Soviet leaders to embrace market reform, and his republic is rich in natural resources. Page 34

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#### FT SURVEYS THIS WEEK



MEXICO: confidence in the economy is at the highest level for years. (Thursday's survey).

#### TODAY:

Cable and Satellite Television: A worldwide business in the making.

#### TOMORROW:

Networking and Open Systems: A new era in effective computing.

Private Banking: Recession-hit clients lower their expectations.

#### WEDNESDAY:

Sweden: Elections under a new government committed to the free market.

Aluminium: Short term problems but the future looks rosy.

#### THURSDAY:

Mexico: Course set for a fourth national revolution.

#### FRIDAY:

City of London Property: Vacancy rates soar and capital values crumble.



The wily PLO leader can be under no illusion about the risks involved

By Tony Walker in Nicosia and Lamls Andoni in Amman

the PLO helm - in the hope that he could finesse a situation of weakness to his own and Palestinian advantage.

Mr Arafat can be under no illusions about his gamble's dimensions. Not only is his own position potentially at risk, so too is the survival of the PLO, as presently constituted. The Tunis-based leadership has been obliged in its post-Gulf war weakness to

Mr Arafat had been hoping that the states would insist on "face-saving" gestures, such as Israeli agreement to halt settlements once the conference began, and also a better deal for the PLO on representation. But as the PLO's policy-making Central Council met through the night on Thursday and into Friday morning, it was clear there would be no fig-

Palestinians warn, however, that Arab states which are now applying pressure on the PLO may live to regret its weakening or disintegration, if that is the result. For better or worse, they say, the organisation has provided an umbrella for a

For Mr Arafat, who turned 63 in August, these must be intriguing times. He was in Damascus on Saturday. He was in Jordan yesterday and is due

renewed peace process, however unpromising it may now seem for the weakened Palestinians, will create new opportunities. This may prove to be Mr Arafat's last big gamble, but as he has asked colleagues in the leadership repeatedly: "What alternative is there?"

**Tehran's control.**  
Tehran is also seeking to secure the loyalty of Middle East groups which were formerly financed by the Soviet Union.

immigration, is desperate to secure \$10bn (£5.8bn) of US government loan guarantees for housing. No one in the administration has been so crude as to spell out direct

been equally explicit in stating that Washington does not recognise Israel's occupation of the Golan Heights. Equally, Mr Bush has made clear that the status of east Jerusalem is open to negotiation - a view flatly contradicted not only by Mr Shamir but also by many Israelis of a more moderate political persuasion.

Critics argue that Mr Bush's interest in foreign affairs at the expense of domestic policy has made him "president of the world" rather than president of the US. He might well agree.

By "creating facts on the ground" they intend to make it physically impossible for next

The pace of settlement expansion since Mr Sharon took over the housing post 18 months ago has been remark-

and the houses are filled, the Jewish population of the West Bank will almost double its present level of about 100,000.

Although the settlements themselves - there are 150 in the West Bank and 15 in Gaza - occupy only a small percentage of the total occupied land area, security and other considerations have led the government to designate half the West Bank and one third of Gaza for Israeli use. Settlers receive three times the water

Palestinians hope the coming talks will reverse the settlement process. But they are worried that Ms Cohen and her colleagues have already loaded the dice against them.

A map of the Middle East region. It shows the borders of Lebanon, Syria, Israel, Jordan, and Egypt. The Mediterranean Sea is to the west. Key cities marked with dots are Beirut, Damascus, Amman, Jerusalem, and Tel Aviv. Other labeled areas include the Golan Heights, West Bank, and Gaza Strip. A scale in miles (0 to 75) and kilometers (0 to 120) is provided in the top left corner.

Mr Yitzhak Shamir, Israel's prime minister, views the issue differently.

He says Israel has already completed the requirements of the UN resolutions by returning the Sinai peninsula to Egypt as part of the 1979 peace treaty signed with the late President Anwar Sadat. He refuses to contemplate withdrawing from the West Bank and Gaza which, he argues, are part of biblical Israel and can never be ceded. All Mr Shamir says he will discuss is exchanging peace for peace.

the West Bank and Gaza. They want nothing less than self-determination and eventually their own state, a view endorsed by King Hussein of Jordan, who previously had sovereignty over the West Bank, and all Arab countries. The most Israel has been willing to countenance in the past was a degree of autonomy for the people while retaining control of the land and the right to maintain military bases.

A self-governing West Bank and Gaza might have to be linked by a land corridor through Israel proper, while

co-operation, movement of labour, and the right of return for Palestinians living in the Diaspora.

Another option, discussed previously, would be for Palestinian autonomy or self-determination to be expressed in association with Jordan. This formula would allow for King Hussein nominally to restore the occupied territories to the Hashemite kingdom, while allowing the inhabitants to be largely responsible for their own affairs. It is a formula

Israel's aim for the next 15 years has been to create a series of small towns and villages in the occupied territories to reinforce the expropriation policy which now involves more than 50 per cent of the total land area. For Israel to re-settle its citizens from the occupied territories would be a huge and expensive logistical exercise. Some Israelis argue that any government which attempted to enforce such a policy would be toppled.

continue to site their embassies in Tel Aviv.

For the Palestinians - both Moslem and Christian - east Jerusalem is in religious and political terms the single most important part of the West Bank and the natural capital for a future state. So strongly does Jerusalem tug at the emotions of all the peoples of the region that one could contemplate a solution which did not acknowledge their special rights in the city.

Syria comes to the peace

The one strictly bilateral issue to be resolved is the return to Syria of the Golan Heights.

Although the Golan is again an emotional issue for some Israelis, because from its commanding heights Syrian gunners were able to lob shells on the people below, it has far less military importance today. It should not be impossible to reach an agreement, if both sides so wished, for the area to be totally demilitarised with a monitoring system to provide

ries may ask for nothing less. In other words, whatever territorial agreement was suggested it would have to be underwritten by exceptional guarantees. It has been suggested that this may have to include stationing US forces in the region.

For the parties to the conference to begin seriously addressing almost any of these issues would mean they believed negotiations could provide a just and lasting resolution to the Arab-Israeli conflict. In itself that would be an enormous step forward.

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## INTERNATIONAL NEWS

## Coalition wins backing in Swiss vote

By William Dufferin in Geneva

THE FOUR-PARTY coalition which has governed Switzerland since 1959 will continue to dominate the federal parliament for the next four years.

Early returns from yesterday's general election indicated that within the coalition, which commanded 159 of the 200 seats in the outgoing lower chamber, the Social Democrats made small gains, while the conservative Radicals and the Christian Democrats suffered minor losses and the People's party maintained its position.

In the last election in 1987, the four coalition parties gathered 72 per cent of votes.

Among the small opposition parties yesterday's surprise was an initial gain of three seats by the Antimobilists' party, probably as a result of reports in the last days of the election campaign that the government planned to impose a higher tax on petrol.

The Auto party first stood in 1987 and grew out of a reaction against what its supporters saw as the limits on personal freedom, especially on car drivers, being imposed by the ecological movement.

Along with the People's party, smallest in the coalition, the Auto party strongly opposes closer links with Europe. Playing on fears of economic migration from southern and eastern Europe to Switzerland, where a sixth of the population is foreign, they favour freezing immigration.

However, most of the 4.5m electors stayed at home, continuing a 16-year decline in

turnout and in interest in the federal parliament in Bern.

The Swiss voted the day before the seven-nation European Free Trade Association, of which Switzerland is a member, is due to complete an agreement with the European Community on formation of a 15-nation European Economic Area.

Swiss voters appeared content to wait to voice their views on the alliance with the EC in a national referendum that must be held on the terms of the proposed European Economic Area.

However, according to the result of a poll published on the morning of the election 53 per cent of Swiss now favour joining the EC.

The poll said 58 per cent believed Switzerland should be part of the 15-nation free market, now being negotiated between the EC and the other states, including Switzerland.

This is the highest pro-EC percentage so far scored in a nationwide opinion test. Moreover, the gap between the French-speaking area, where polls have consistently recorded pro-EC majorities, and the more populous German-speaking cantons appears to be narrowing.

In the latest poll half the German speakers said they would accept EC membership.

Significantly, 56 per cent of the 600 people polled complained that they had been kept badly informed about the conditions Switzerland has to meet before joining an EEA or applying for EC membership.

## Harare declaration stresses human rights

THE following is a partial text of the Harare Declaration issued yesterday by the 50 Commonwealth leaders of their 28th biennial summit, Reuters reports.

"The heads of government... reaffirm their confidence in the Commonwealth as a voluntary association of sovereign independent states, each responsible for its own policies, consulting and co-operating in the interests of their peoples and in the promotion of international understanding and world peace."

Members of the Commonwealth include people of many different races and origins, encompass every stage of economic development, and comprise a rich variety of cultures, traditions and institutions.

The special strength of the Commonwealth lies in the combination of the diversity of its members with their shared inheritance in language, culture and the rule of law.

The Commonwealth way is to seek consensus through consultation... It is uniquely placed to serve as a model and catalyst for new forms of friendship and co-operation to all in the spirit of the Charter of the United Nations.

Its members also share a commitment to certain fundamental principles... set out in a Declaration of Commonwealth principles... in Singapore in 1971. Those principles have stood the test of time, and we reaffirm our full and continuing commitment to them today. In particular, no less than 20 years ago:

● We believe that international peace and order, global economic development and the rule of interna-

tional law are essential to the security and prosperity of mankind;

● We believe in the liberty of the individual under the law, in equal rights for all citizens regardless of gender, race, colour, creed or political belief, and in the individual's inalienable right to participate by means of free and democratic political processes in framing the society in which he or she lives;

● We recognise racial prejudice and intolerance as a dangerous sickness and a threat to healthy development,

## 'Commitment to market principles can promote progress'

and racial discrimination as an unmitigated evil.

● We oppose all forms of racial oppression, and we are committed to the principles of human dignity and equality;

● We recognise the importance and urgency of economic and social development to satisfy the basic needs and aspirations of the vast majority of the peoples of the world, and seek the progressive removal of the wide disparities in living standards among our members.

In Harare, our purpose has been to apply those principles... as the Commonwealth prepares to face the challenges of the 1990s and beyond.

Internationally, the world is no longer locked in the iron grip of the Cold War. Totalitarianism is giving way to democracy and justice... Decolonisation

is largely complete. Significant changes are at last under way in South Africa. These changes, so desirable and heartening in themselves, present the world and the Commonwealth with new tasks and challenges.

In the last 20 years several Commonwealth countries have made significant progress in economic and social development. There is increasing recognition that commitment to market principles and openness to international trade and investment can promote economic progress and improve living standards.

Many Commonwealth countries are poor and face acute problems, including excessive population growth, crushing poverty, debt burdens and environmental degradation...

Only sound and sustainable development can offer these millions the prospects of betterment. Achieving this will require a flow of public and private resources from the developed to the developing world, and domestic and international regimes conducive to the realisation of these goals...

Having reaffirmed the principles to which the Commonwealth is committed, and reviewed the problems and challenges... we pledge to work with renewed vigour, concentrating in the following areas:

● the protection and promotion of fundamental political values of the Commonwealth;

● democracy and democratic processes and institutions which reflect national circumstances, the rule of law and the independence of the judiciary, just and honest government;

● fundamental human rights, including equal rights and opportunities for

all citizens regardless of race, colour, creed or political belief;

● equality for women, so that they may exercise their full and equal rights;

● provision of universal access to education;

● continuing action to bring about the end of apartheid and the establishment of a free, democratic, non-racial and prosperous South Africa;

● promotion of sustainable development and alleviation of poverty in the countries of the Commonwealth

## 'Continuing action to bring about the end of apartheid'

through:

● a stable international economic framework within which growth can be achieved;

● sound economic management recognising the central role of the market economy;

● effective population policies and programmes;

● sound management of technology change;

● the freest possible flow of multilateral trade on terms free and equitable to all, taking account of the special requirements of developing countries;

● an adequate flow of resources from the developed to the developing countries, and action to alleviate the debt burdens of developing countries most in need;

● the development of human resources... paying special attention

to the needs of women, youth and children;

● protection of the environment through respect for the principles of sustainable development which we enunciated at Langkawi;

● action to combat drug trafficking and abuse and communicable diseases;

● help for small Commonwealth states in tackling their particular economic and security problems;

● support for the United Nations and other international institutions in the search for peace, disarmament and effective arms control; and in the promotion of international consensus...

To give weight and effectiveness to our commitments we intend to focus and improve Commonwealth co-operation... This would include strengthening the capacity of the Commonwealth to respond to requests from members for assistance in entrenching the practices of democracy, accountable administration and the rule of law.

We call on all the intergovernmental institutions of the Commonwealth to seize the opportunities presented by these challenges...

In reaffirming the principles of the Commonwealth and in committing ourselves to pursue them... in areas where we believe that the Commonwealth has a distinctive contribution to offer, we... express our determination to renew and enhance the value and importance of the Commonwealth as an institution which can and should strengthen and enrich the lives not only of its own members and their peoples but also of the wider community of peoples of which they are a part.

## Former Queensland premier may face second trial for perjury

By Kevin Brown in Sydney

SIR Joh Bjelke-Petersen the former conservative premier of Queensland, may face a second trial after a jury failed to decide whether he was guilty of perjury.

Sir Joh, who ran Australia's "deep north" state for 19 years, was removed from office three years ago after several members of his National party government were implicated in corruption allegations.

The perjury charge arose from Sir Joh's evidence to a Royal Commission appointed to investigate the allegations. The charge, which Sir Joh denied, alleged he lied about donations to party funds by a Singapore businessman.

Judge John Helman, in the Brisbane district court, dismissed the jury late on Saturday night when the foreman reported it was deadlocked after five days of debate.

Earlier, Judge Helman rejected a prosecution request

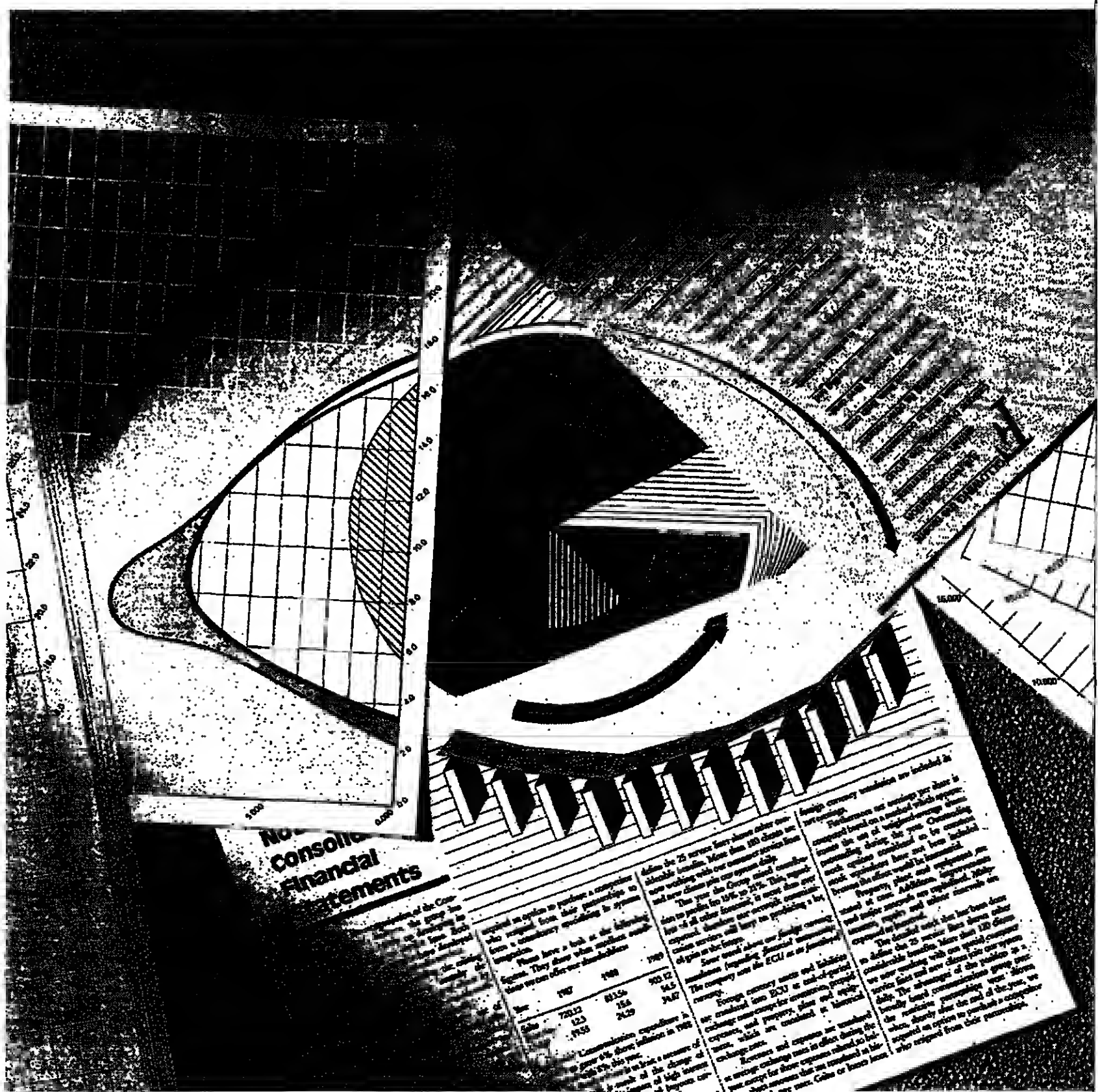
for a retrial after it emerged that the jury included a member of the National party. The judge said there was no evidence the jury was unduly favourable to Sir Joh.

Outside the court, Sir Joh said the prosecution had "failed miserably" to prove its case against him. "They were unable to prove that I have done anything wrong in any way, shape or form," he said.

A decision on whether to retry Sir Joh will be taken shortly by Mr Des Drummond, the special prosecutor appointed to pursue cases arising from the royal commission.

Sir Joh, who polarised Australian political opinion, was strongly opposed to trade unions, Aboriginal land rights and homosexual law reform. At one stage, he banned street demonstrations. He was also accused of manipulating the voting system to discriminate against urban voters.

## The clearest image in the world.

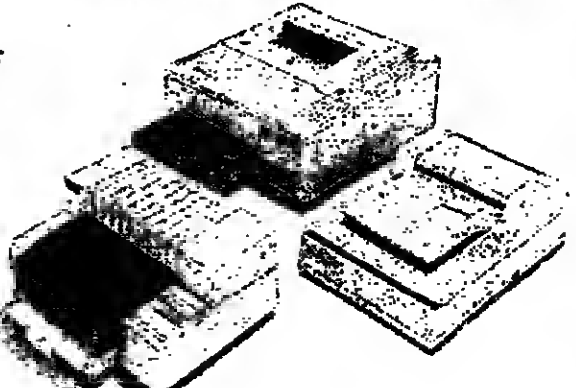


If you're looking for the clearest, most eye-catching output then your choice of personal printer is also clear. It has to be one from HP's extensive range.

If you want laser quality at a dot matrix price then the HP DeskJet 500 is the one for you. It uses InkJet technology to produce 300 dpi text and graphics at high speed.

Alternatively, if you want the sharpest, crispest look, then you want one of the printers in the HP LaserJet III family. They all use RET (Resolution Enhancement Technology). Developed by Hewlett-Packard, it produces lines so smooth and black you could easily mistake the printing as being typeset.

They also use HP's industry standard printer language HP PCL5, which provides scaling of fonts of virtually unlimited size, adding yet more clarity to your documents.



On the other hand, if your priority is to save time on text input, using OCR software or enhancing the look of your documents by including images, then you should consider the market-leading scanner, the HP ScanJet Plus.

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THE POSSIBILITY MADE REALITY.

## THE THAILAND INTERNATIONAL FUND LIMITED

International Depositary Receipts issued by Morgan Guaranty Trust Company of New York Notice of Extraordinary General Meeting

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Shareholders of the Thailand International Fund Limited, (the "Company"), will be held at 2.00pm on 21 November, 1991 at 2.00pm for the purpose of considering, and if thought fit, passing the following Resolution which will be proposed as a Special Resolution.

**SPECIAL RESOLUTION**

1. That the Shareholders of the Company approve the granting in the Company of the power to repurchase and redeem its own shares in the manner set out in the circular to Shareholders dated 15 October 1991, for this purpose, approve the following proposals:

(a) That the heading in Article 20 of the Articles of Association of the Company (the "Articles") be amended to read "ISSUE AND REPURCHASE OF PARTICIPATING SHARES" and that there should be inserted into the Articles a new Article 20 as set out below:

(b) "Subject to the provisions of the Statutes and the Memorandum of Association, the Company may purchase its own shares (including any redeemable shares) provided that the manner of purchase has first been authorized by the Company in general meeting and may only be effected in any manner authorized by the Statutes, including out of capital."

(c) That, following an announcement, the company to give discretion to purchase, at such times and in such amounts as it may see fit, Participating Shares whether in or out of market transactions and to designate such authority to such person as it thinks fit. This authority to purchase Participating Shares is conditional on such Shares trading at a discount to their NAV at the time of purchase. The maximum number of Participating Shares which may be purchased under this authority is 1,124,999.

(d) That the Directors be authorized to issue, in accordance with the Articles of Association of the Company, at such price and at such times as they may in their discretion decide, new Participating Shares up to a number equal to the number of Participating Shares which prior to the time of such issue have been repurchased and cancelled in accordance with Company Law and not subsequently re-issued and that the Directors be empowered to delegate such authority to such person as they think fit. For the avoidance of doubt this resolution shall not affect the Directors' power to issue Participating Shares under Article 20 of the Articles of Association of the Company.

(e) That the Directors be and are hereby authorized to borrow such sums as may be required from time to time to finance the repurchase of Participating Shares in accordance with the resolution or to finance the interest payments on such borrowings during any period when the secured monies of the Company is insufficient to meet such obligations. The agreement to borrow any monies under this authority or otherwise may not exceed the limit imposed by Article 125 of the Articles of Association of the Company.

(f) That the Directors when and if they, in their discretion, deem such action as may be necessary to procure that the participating Shares of the Company become listed on the Irish Stock Exchange.

**Voting Arrangements for EDRs holders**

EDRs holders who wish to vote must follow the procedure explained hereunder:

**EDRs holders must:**

● deliver the EDRs to the Depositary at the latest on 31 October, 1991 at the address shown below (unless a Securities Department, telephone 322 3082215 - telex 21732 MORSEK R), instruct the Depositary as to the manner in which votes should be cast, and instruct to whom the EDRs should be returned after the meeting.

● instruct EUROCLEAR or CDEM to block the number of shares for which they want to vote and to vote in their behalf.

Copies of the Semi-Annual Report of the Company are available with the Depositary at the address indicated below.

Depositary: Morgan Guaranty Trust Company of New York  
25, Avenue des Arts, 1040 Brussels

JP Morgan



## INTERNATIONAL NEWS

New book alleges that 'sanitised' versions of stolen documents went to the Soviet Union

# Shamir 'gave US N-secrets to Moscow'

By Alan Friedman in New York

MR Yitzhak Shamir, the Israeli prime minister, gave the Soviet Union "sanitised" versions of secret US intelligence documents that were stolen by Mr. Jonathan Pollard, the Israeli spy who is now serving a life prison term in the US, according to a new book on Israel's nuclear arsenal by Mr. Seymour Hersh.

The allegation is contained in *The Samson Option*, a book published today which traces the clandestine development of nuclear weapons by Israel and claims Israel now has more than 300 weapons in its nuclear arsenal, including many said to have been targeted on the Soviet Union since the late 1970s.

The number of weapons in Israel's nuclear arsenal is treble the level estimated by US intelligence and is said, in the book, to include many low-yield neutron bombs capable of destroying troops with minimal property damage.

The allegation concerning Mr. Shamir's decision to make a secret overture to Moscow in the mid-1980s by sharing stolen US intelligence information is by far the most sensitive, given that Israel and the Soviet Union only last Friday restored diplomatic relations and in the light of the approaching Middle East peace conference.

Mr. Hersh interviewed dozens of former US and Israeli government officials and intelligence agents for the book and cites two Israeli sources for the Shamir allegation. One of the sources is Mr. Ari Ben-Menashe, a former Israeli intelligence official whose credibility has been questioned by the Bush administration.

In the book Mr. Hersh writes: "Ben-Menashe's account might

Mr. Hersh claims in *The Samson Option* that in 1986 the London Daily Mirror newspaper turned over to the Israeli embassy in London photographs of a secret Israeli nuclear weapons plant that had been taken by Mr. Mordechai Vanunu, the former technician at the facility who was kidnapped by Mossad and taken to Israel to face trial, Alan Friedman writes.

Mr. Vanunu's photographs and details of Israel's secret Dimona nuclear plant in the Negev desert were eventually disclosed in articles in the London Sunday Times in October 1986.

seem almost too startling to be believed, had it not been subsequently amplified by a second Israeli, who cannot be named. The Israeli said that Pollard material was sanitised and dictated to a secretary before being turned over to the Soviets. Some material was directly provided to Yevgeni M. Primakov, the Soviet foreign ministry specialist on the Middle East who met publicly and privately with Shamir.

Mr. Hersh writes that Mr. Shamir's turning over of US intelligence information to the Soviets, which he says is widely known in leading political circles in Israel, stemmed from his belief that sharing information on US weapons systems was a means of balancing, or offsetting Israel's traditional reliance on the US.

Other allegations contained in *The Samson Option* include the claim that in the late 1970s Israel obtained sensitive US KH-11 satellite intelligence photos that it used to help tar-

get the Soviet Union as well as its Arab neighbours with nuclear missiles.

The book also claims that during the recent Gulf war, Israel responded to Iraq's Scud missile attacks by going on nuclear alert and deploying its own nuclear-armed mobile missile launchers to face Iraq. This, according to Mr. Hersh, was the third time Israel has placed its forces on nuclear alert, the previous instances having occurred during the Yom Kippur war in 1973.

Mr. Hersh claims that on the third day of the Yom Kippur war Israel threatened President Richard Nixon and his adviser, Mr. Henry Kissinger, with the use of nuclear weapons to persuade Washington to send military supplies.

Mr. Kissinger, who was the subject of a controversial earlier book by Mr. Hersh, yesterday dismissed the allegation as "a fabrication without a shred of truth".

The book quotes Mr. Herman Eilits, the former US ambassador to Egypt, as recalling that years after the Yom Kippur war Mr. Kissinger expressed his concern that the Israelis might have been prepared to "go nuclear".

The book also claims that both Israeli and French cabinet ministers lied repeatedly to President Eisenhower, Kennedy, Johnson, Nixon and Carter about Israel's secret desert nuclear weapons plant and the crucial role played by France in supplying technology and reactors.

The book concludes that Washington turned a blind eye to Israel's nuclear weapons project despite evidence that it had developed operational nuclear missiles by 1986.

## At least 200 die in Indian quake

MORE than 500 people were feared killed yesterday by a powerful earthquake that rocked the Himalayan foothills in India's northern state of Uttar Pradesh, officials said. Reuter reports from Lucknow.

"We have confirmation of at least 200 deaths. But our fear is that more than 500 people may have died," state revenue minister Mr. Brahmada Dwivedi said.

He said more than 1,000 people were injured in devastation spread over 400 villages in the Uttar Pradesh district of the state.

"We have asked for the army's help and helicopters," Mr. Dwivedi said. "It is very difficult to reach the remote villages."

The tremor, measuring 6.1 on the Richter scale, cut most communications with the region. Officials said the earthquake caused landslides at several places, blocking roads and even changing the course of the Bhagirathi river flowing from the upper Himalayan reaches. They said landslides blocking the river could cause flash floods and obstruct rescue work.

A bridge on the river collapsed, cutting off the only road link between the stricken area and the rest of the state.

The officials said a hydro-electric power supply unit in Uttarakashi was also badly hit, and there was no electricity in the area.

The state information secretary, Mr. Nripendra Mishra, said a 100-km stretch between Uttarakashi and the Hindu pilgrim centre of Gangotri was devastated by the earthquake.

"Our worry is how to reach the rescue workers there," Mr. Mishra said. Uttarakashi, about 2,300 metres (feet) above sea level, is 450km north of the state capital, Lucknow.

## Big growth seen in sales of cars with air-conditioning

By John Griffiths

WEST EUROPEAN sales of cars fitted with air-conditioning will nearly triple by 1995 to 2.4m, or around one-fifth of all new cars sold, according to a forecast from motor industry consultants PRS.

By the end of the decade, 35-40 per cent of all new cars sold in Europe will be air-conditioned, with production reaching 5.5m annually, the forecast concludes.

This compares with 940,000 sales and 1.8m production last year. The production figure is higher because of the high level of exports by European car makers to countries such as the US, where air-conditioning is virtually standard.

The forecast, in PRS weekly World Automotive Industry Bulletin, helps explain the decision by Nipponendo, Japan's largest vehicle components maker, to set up a 55m joint venture with Fiat components subsidiary Magneti Marelli to make air-conditioning systems which is now on stream at Telford in the UK and which eventually is expected to produce up to 500,000 units a year.

Support for PRS' view that air-conditioning represents one of the few motor component systems poised for very rapid

growth - and one of the most valuable in terms of unit cost - is also provided by statistics from Ford's heating and air conditioning subsidiary, Ford Climate Control Operations.

They show that Ford's own fitment of air-conditioning to its European cars rose by 56 per cent last year, to 64,000 compared with 41,000 in 1989, despite an overall 4 per cent fall in vehicle output.

"Growth of this sort is not untypical and has been reported by other volume manufacturers in Europe," observes PRS.

Currently, car makers charge a minimum of £800 for air-conditioning as an option, and more typically around £1,100. Even though this would diminish as economies of scale increase, production levels envisaged in the PRS forecast underscore the prospect of "a.c." being one of the most lucrative sources of new business for successful would-be suppliers to emerge in recent years.

Higher-than-average summer temperatures and humidity, wider availability of a.c. fitments and a growing consumer demand for comfort and safety features instead of higher performance are all contributing to growth, according to PRS.

## Crowds clash with police as Yemen's troubles grow

RIOTS in Sanaa, capital of Yemen, left up to nine people dead at the weekend when crowds clashed with riot police after an army officer shot dead a traffic policeman, writes Eric Watkins in Sanaa. Police armed with automatic weapons, clubs and teargas took three hours to restore order after the incident, in which the

## NEWS IN BRIEF

### \$62m IADB loan to Venezuela approved

THE Inter-American Development Bank (IDB) has approved a \$62.5m (£36.3m) loan to the government of Venezuela for projects in reforestation and the expansion of existing commercial forest plantations, writes Joe Mann in Caracas.

Venezuela, which currently has a \$250m-a-year deficit in its trade balance for forest products, wants to reduce its dependence on wood imports and to grow new forests.

The IDB loan is for 20 years and carries a variable interest rate which starts at 7.89 per cent per annum.

● Venezuela's international monetary reserves (including gold) stand at around \$12.3bn, up 6 per cent from \$11.5bn at the end of 1990, according to the Central Bank of Venezuela.

### Pakistan may seek IMF aid

Pakistan may consider seeking further International Monetary Fund assistance, according to the finance minister, Mr. Sartaj Aziz. Pakistani officials are preparing for a three-day visit by Mr. Michael Camdessus, managing director of the IMF, who is arriving this week, writes Farhan Bokhari in Islamabad.

### Garcia's immunity lifted

Peruvian constitutional history was made at the weekend when the Senate voted to lift ex-President Alan Garcia's parliamentary immunity and send him for trial as an ordinary citizen, writes Sally Bowen in Lima.

Provided the attorney general's office ratifies the accusation, Mr. Garcia's case will be heard in the Supreme Court.

Charges against Mr. Garcia of "illicit enrichment" over 14 years of public life have already been investigated by a congressional commission and aired in both houses. They centre on alleged disparities between income and expenditure and have involved the ex-president in a wrangle over the price of bricks for his relatively modest beach house and apparently undeclared payments he received as a professor 10 years ago.

### Mobutu wants to sack rival

Zaire's President Mobutu Sese Seko said yesterday he wanted to sack prime minister Etienne Tshisekedi and replace him with another candidate named by opposition parties, Reuter reports from Kinshasa.

"I'm the one who named him against my better judgement," the 61-year-old president told a group of supporters aboard the presidential yacht Kamanyola moored near the riot-devastated capital Kinshasa. "For me he is no longer the one. I will ask the opposition to name another person."

### Call for environment watchdog

A UN-sponsored report published today calls for the creation of an international watchdog organisation to investigate environmental abuses around the world, Reuter reports from London. The report, called *Caring for the Earth - A Strategy for Sustainable Living*, took three years to prepare and is published jointly by the UN Environment Programme, the World Conservation Union and the World Wide Fund for Nature.

It recommends that the organisation should be established by 1993 and that 50 per cent of all countries should adopt environmental codes by the year 2000.

## INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

UNITED STATES					JAPAN					GERMANY					FRANCE					ITALY					UNITED KINGDOM					
Exports	Imports	Current account balance	Ecu exchange rate	Effective exchange rate	Exports	Imports	Current account balance	Ecu exchange rate	Effective exchange rate	Exports	Imports	Current account balance	Ecu exchange rate	Effective exchange rate	Exports	Imports	Current account balance	Ecu exchange rate	Effective exchange rate	Exports	Imports	Current account balance	Ecu exchange rate	Effective exchange rate	Exports	Imports	Current account balance	Ecu exchange rate	Effective exchange rate	
1984	275.8	-136.8	-125.5	0.7991	95.9	213.8	56.7	44.1	187.03	67.8	218.3	24.2	12.5	2,287	100.0	123.7	-3.8	-1.1	5,671	99.1	53.4	-13.9	-5.2	1381.5	105.9	118.9	-8.0	3.1	0.9508	100.0
1985	279.8	-174.2	-160.5	0.7623	100.0	230.8	76.0	84.5	180.50	100.0	242.8	33.3	17.2	2,259	100.0	133.4	-4.5	-0.2	5,741	100.0	163.7	-16.0	-5.4	1443.0	100.0	132.4	-5.7	4.1	0.8991	100.0
1986	230.9	-140.6	-147.8	0.9326	60.2	211.1	66.2	86.8	165.11	124.4	248.6	53.5	40.3	2,179	108.8	127.1	-0.1	-3.0	6,756	122.3	99.4	-2.5	-1.4	1461.6	101.4	108.3	-14.2	-0.3	0.8708	81.5
1987	220.2	-131.8	-138.8	1.1541	70.3	197.3	66.1	75.2	168.58	133.2	254.2	58.7	38.8	2,072	115.3	128.3	-4.5	-3.6	6,327	123.0	100.7	-7.5	-2.1	1494.3	101.2	112.3	-16.4	-5.9	0.7047	90.1
1988	272.5	-100.2	-106.7	1.1833	66.0	218.8	80.7	66.5	151.51	147.3	272.8	61.7	42.8	2,079	114.6	141.8	-4.6	-3.4	7,054	120.8	108.3	-8.9	-0.0	1536.8	97.8	120.9	-32.5	-23.4	0.6943	95.5
1989	310.2	-99.3	-58.5	1.1017	68.4	246.3	70.5	52.8	151.87	141.9	310.2	65.3	48.0	2,061	115.5	162.9	-4.6	-3.6	7,019	99.8	127.8	-11.3	-1.7	1590.2	98.8	137.3	-36.6	-30.3	0.6728	92.8
1990	308.8	-79.8	-72.3	1.2745	65.1	219.9	48.8	28.1	163.94	128.0	324.2	51.4	37.7	2,058	114.1	171.2	-2.8	-5.4	6,323	104.8	135.8	-8.3	-16.8	1523.2	100.6	142.7	-28.1	-20.1	0.7150	81.5
3rd qtr.1990	74.6	-21.3	-18.4	1.2990	64.1	54.3	12.7	5.4	188.36	123.7	82.1	12.4	7.2	2,082	118.8	41.9	-2.8	-2.7	6,945	104.9	31.2	-0.2	-2.2	1527.8	100.7	36.3	-5.8	-3.2	0.6978	94.2
4th qtr.1990	77.2	-18.6	-17.1	1.3714	68.8	55.4	12.7	4.7	178.38	133.6	82.5	7.2	4.2	2,089	120.7	43.5	-1.1	-1.0	6,940	105.6	35.8	-2.0	-1.7	1547.5	99.6	38.5	-4.3	-2.7	0.7050	94.1
1st qtr.1991	75.7	-12.6	-7.8	1.3435	61.8	55.3	17.2	12.2	178.91	132.1	81.8	3.4	-4.5	2,062	119.4	42.3	-2.0	-2.8	6,940	104.3	32.4	-4.2	-6.0	1540.8	100.1	35.5	-4.3	-3.7	0.7040	93.9
2nd qtr.1991	89.3	-11.0	-2.5	1.1849	66.4	81.0	19.5	15.8	163.84	135.5	78.4	-0.3	-3.2	2,057	119.2	43.2	-1.1	-0.6	6,962	102.0	35.4	-3.4	-5.8	1525.3	99.8	37.8	-3.0	-1.1	0.6942	91.4
September 1990	24.5	-6.9	n.a.	1.3154	63.0	18.4	4.2	1.7	182.40	128.5	27.4	3.8	3.2	2,068	116.7	13.3	-1.38	-1.40	6,917	105.3	10.7	-1.2	-1.2	1542.5	99.7	12.6	-1.1	-0.24	0.7002	93.8
October	23.5	-7.3	n.a.	1.3598	60.8	18.5	4.1	1.9	175.85	135.8	28.1	4.5	3.3	2,079	118.0	14.8	-0.80	-0.42	6,925	105.5	10.5	-1.0	-2.7	1549.3	99.4	12.4	-1.7	-1.12	0.6974	94.0
November	24.2	-8.9	n.a.	1.3861	60.2	18.5	4.1	1.8	178.84	134.8	27.8	1.5	0.8	2,083	120.2	14.3	-0.17	-0.18	6,929	105.8	10.9	-2.4	-2.1	1547.4	99.9	12.3	-1.5	-0.87	0.7055	94.2
December	24.5	-4.8	n.a.	1.3716	61.2	18.4	4.0	1.0	183.34	130.8	28.5	1.3	2.1	2,056	120.8	14.3	-0.16	-0.78	6,945	105.3	12.5	1.3	-2.0	1548.9	99.1	11.8	-1.3	-0.71	0.7123	94.3
January 1991	25.1	-5.4	n.a.	1.3637	61.2	18.8	5.3	2.8	182.13	131.1	28.4	0.7	-1.0	2,062	120.2	13.8	-0.82	-0.45	6,963	104.7	8.8	-3.2	-3.4	1545.8	100.0	11.7	-1.9	-1.72	0.7043	94.1
February	24.2	-4.0	n.a.	1.3888	60.2	18.4	5.3	4.2	181.28	133.2	26.7	1.4	0.7	2,070	120.7	13.8	-0.49	-0.44	7,007	104.7	8.8	-3.2	-3.4	1545.8	100.0	11.7	-1.9	-1.72	0.7043	94.1
March	26.6	-3.2	n.a.	1.2779	63.8	21.2	5.7	6.2	175.44	132.0	28.9	1.3	-0.8	2,064	118.8	11.1	-0.4	-1.5	6,981	103.2	11.1	-0.4	-1.5	1533.1	99.8	12.0	-1.3	-1.06	0.7005	92.9
April	29.5	-3.7	n.a.	1.2091	65.8	18.7	5.5	6.4	165.79	135.7	25.1	0.4	-1.2	2,084	118.4	14.7	-0.26	-0.80	6,960	102.4	11.4	-1.5	-2.7	1526.3	99.9	12.2	-1.2	-0.66	0.6917	92.3
May	28.6	-4.0	n.a.	1.1927	66.0	20.9	5.9	4.8	164.84	135.4	27.3	-0.7	-2.2	2,058	116.3	14.2	-0.30	-0.27	6,974	102.0	11.3	-2.1	-0.8	1522.9	99.7	12.3	-1.3	-0.98	0.6928	91.7
June	30.3	-3.3	n.a.	1.1531	67.8	21.5	7.1	4.5	160.89	136.2	28.0	-0.0	-1.8	2,041	115.8	14.2	-0.55	-0.28	6,988	101.5	12.7	0.3	-2.4	1528.6	99.2	13.0	-0.5	0.14	0.6984	90.2
July	30.8	-5.2	n.a.	1.1595	67.8	21.4	7.1	4.1	158.48	136.2	27.4	-0.1	-2.8	2,062	115.8	15.2	-0.57	-0.88	6,967	101.4	13.3	0.1	-2.2	1526.7	97.9	12.7	-0.8	-0.58	0.6982	90.3
August	23.0	-5.7	n.a.	1.1769	65.5	21.7	8.2	6.0	160.55	136.2	27.4	-0.1	-1.8	2,051	115.5	14.5	-0.54	-0.84	6,974	101.5	13.5	0.2	-0.4	1533.6	99.0	13.0	-1.1	-0.78	0.6980	90.7

All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June



“Deutsche Bank  
and France’s  
Crédit Agricole  
have followed  
TSB’s lead by setting  
up their own  
insurance subsidiaries.”

The Economist, October 1990

## WE SEEM TO HAVE STARTED A TREND.

In 1967, we started what is now Britain’s second largest supplier of unit-linked life and pension products.

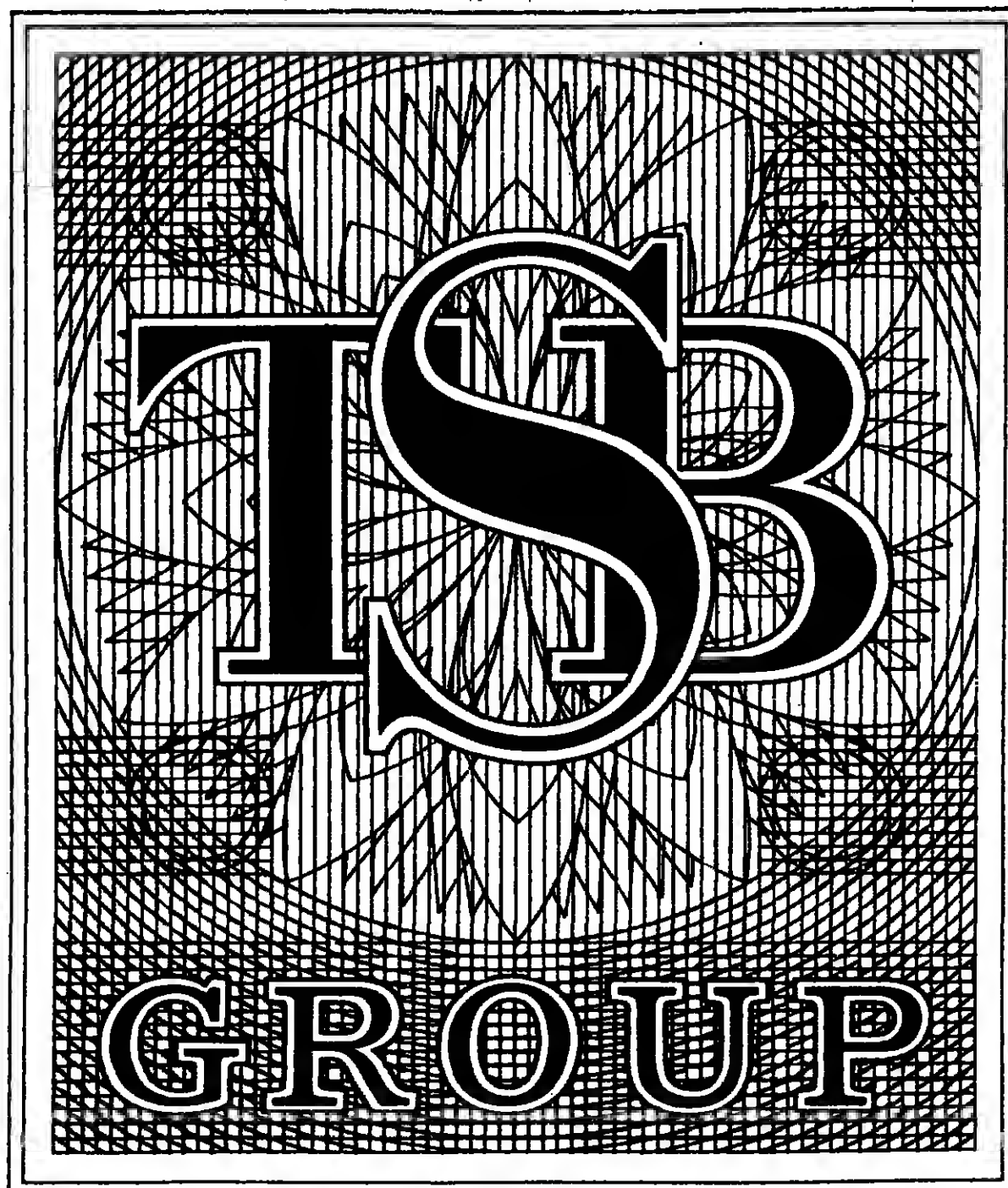
And TSB Group has become one of the UK’s

largest financial service operations.

Our banking and insurance businesses are channelled in two streams behind our two strong brands: TSB and Hill Samuel.

We are developing both of them in their appropriate markets, and making sure they have the resources to succeed.

They already have a head start.

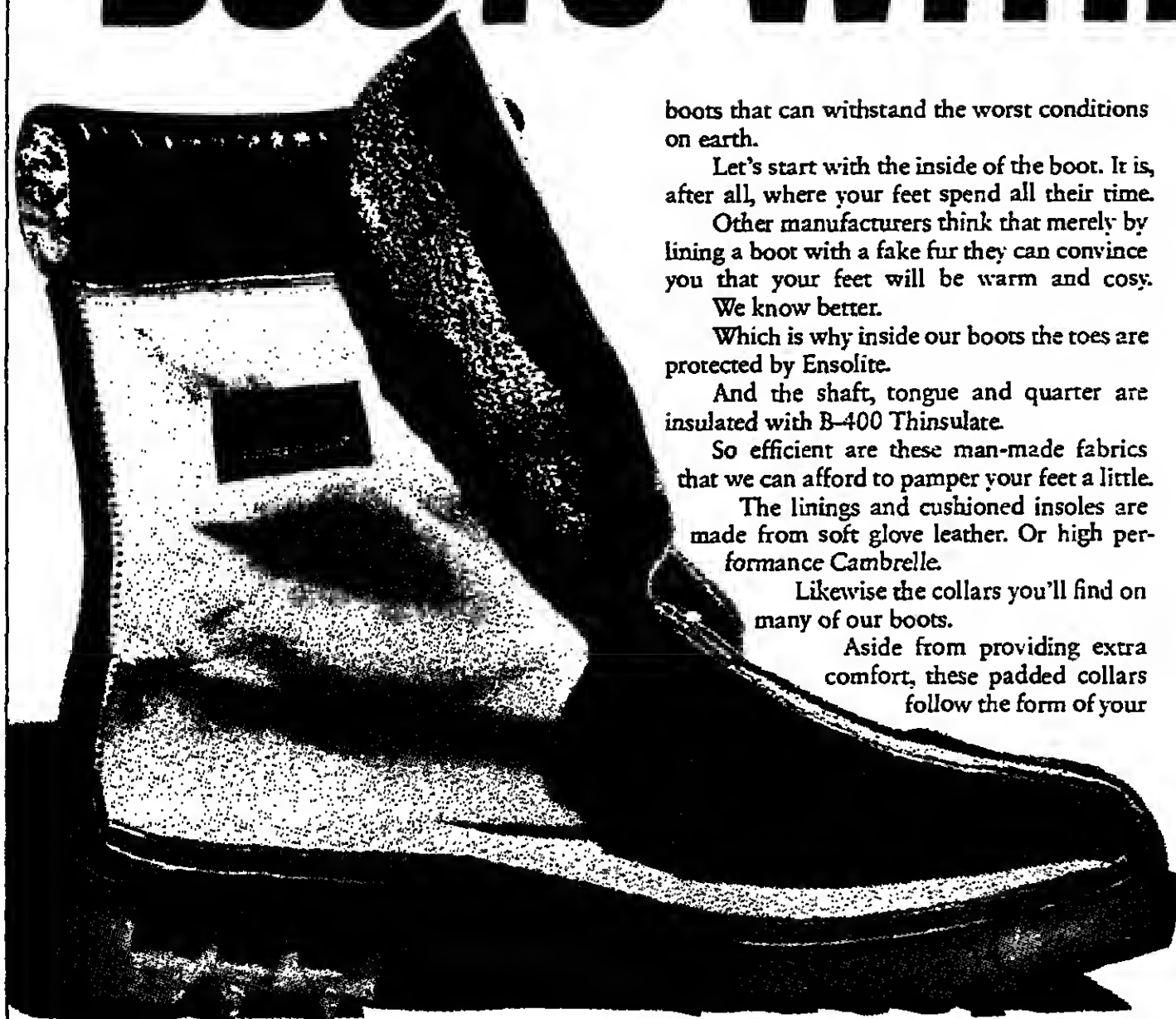


Banking and beyond.

ASSETS: £27 billion. SHARE CAPITAL AND RESERVES: £1.7 billion. CURRENT AND DEPOSIT ACCOUNTS: £23 billion. ADVANCES: £17 billion. FUNDS UNDER MANAGEMENT AND ADVICE: £26 billion.  
TSB: TSB Retail Banking; TSB Life & Pensions; TSB General Insurance; TSB Unit Trusts; HILL SAMUEL; Hill Samuel Bank; Hill Samuel Financial Services; Hill Samuel Investment Management; Hill Samuel Private Banking Services. COMMERCIAL: Noble Lowndes; Swan National; TSB Property Services; Wesol.



# WE DON'T LINE OUR BOOTS WITH FUR. WE LINE OUR BOOTS WITH BOOT.



Have you any idea what happens to the body at 20° or 30° below?

The blood thickens. The brain slows. Your concentration lapses. Energy can drain from you faster than water from an emptying tub.

Of course, the body doesn't take this kind of treatment lying down.

Something called a neuro vascular impulse shunts blood away from your extremities to vital organs like the heart, kidneys and liver.

Which is very clever of it.

Except that a lot of people regard their extremities as pretty vital too.

Particularly their feet.

At Timberland, we make our living making boots and shoes for people who enjoy the great outdoors.

Which, as you can imagine, becomes the not-so great-outdoors when winter sets in.

So how do we protect our customer's feet from the body's natural desire to leave them in the lurch every time there's a cold snap?

We use every material known to man (and some known only to Timberland) to build

boots that can withstand the worst conditions on earth.

Let's start with the inside of the boot. It is, after all, where your feet spend all their time.

Other manufacturers think that merely by lining a boot with a fake fur they can convince you that your feet will be warm and cosy. We know better.

Which is why inside our boots the toes are protected by Ensolite.

And the shaft, tongue and quarter are insulated with B-400 Thinsulate.

So efficient are these man-made fabrics that we can afford to pamper your feet a little.

The linings and cushioned insoles are made from soft glove leather. Or high performance Cambrelle.

Likewise the collars you'll find on many of our boots.

Aside from providing extra comfort, these padded collars follow the form of your

ankle to help stop the elements sneaking in. Keeping the cold air out and the hot air in could have the effect of 'cooking' your feet.

To prevent this, we often drop in a bootie made from Gore-Tex.

This remarkable man-made fibre has 9 billion pores per square inch, each one 20,000 times smaller than a raindrop but 700 times larger than a molecule of perspiration.

As a result, our boots get an extra layer of waterproofing and your feet can breathe more easily.

Even so, any foot couped up in one of our boots is bound to sweat a little.

So to absorb any perspiration, some of our boots are fitted with a special removable polypropylene insole.

Perhaps because Timberlands come from the rainy State of New Hampshire, we set a lot of store by things that keep feet dry.

For example, all the important seams on our boots are stitched using no less than four rows of nylon stitching. We then tape seal them with latex to make sure that whatever

happens water cannot infiltrate the boot.

Our determination to stave off the elements doesn't stop there.

To seal the inside of the boot from the outside world, we use soles made from a lightweight dual-density polyurethane. Or another highly resistant substance called Vibram EVA.

These soles are then permanently bonded to the uppers utilising one of Timberland's many patented processes.

We even add a fibre glass shank along the base of the boot for extra strength.

However good we are at lining the inside of our boots, it would all come to nothing if the outside wasn't up to scratch.

So we comb the country in search of tanneries that understand the importance we attach to the well-being of your feet.

A task made harder by the fact that we're not just picky, we're plain contrary.

We want leathers that are tough yet soft. Strong yet supple. Long-lasting but good-looking. A tall order, we know.

But we rarely come back empty-handed. Once in the workshops, the leathers are impregnated with silicone.

This prevents them drying or cracking with age. It also stops water seeping through. (There we go again.)

We also subject them to a machine called a Maser Flex, which tests waterproof leathers. Ours withstand 15,000 flexes, equal to the highest standards demanded by the US Military.

The same mentality that puts fake fur inside a boot can be counted on to compromise in other ways too.

Not us.

We dye our leathers right through so the colours won't scuff or flake off even after years of regular use.

We use solid brass eyelets. And D-rings made from stainless steel. Neither of them rusts, it's as simple as that.

Laces are made from self-oiling raw hide for extra flexibility. Or premium grade nylon when greater strength is required.

Nothing is over-looked in our desire to build a comfortable, long-lasting boot that protects your feet from the cold.

You may never experience temperatures as low as 20° or 30° below.

But if your feet are soaking wet and numb, who's counting?

**Timberland**

This advertisement was created by Leagas Delaney.

THE INSIDE of a boot is hardly the most promising of subjects. But this advertisement got you into it. Notice also how effortlessly it dispels our assumption that feet are better off in fur. This is what the written word can do. It builds bridges between products and people. Gets the message over fast and effectively. Timberland shoes used to be cultish. One newspaper campaign later, their name is on everyone's feet. Take a big step forward. Advertise in the newspapers.

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INTERNATIONAL NEWS

# Yeltsin may be planning reforms for Russia alone

By Layla Boulton in Moscow

MR. Boris Yeltsin, the Russian president, is apparently preparing to conduct economic reform in isolation in case the treaty for an economic community, signed last Friday, fails.

A recent newspaper cartoon depicted Russia as a skeletal patient who, despite being desperately ill, is joyfully cutting away his life support equipment. It sums up the dilemma facing the biggest Soviet republic as it embarks on negotiations to create an economic union out of the former Soviet Union. Russia is also at risk if it tries to jump out of the rotting old union, leaving other republics to hang on to its coat-tails if they can.

The economic union treaty, signed by eight of the 12 Soviet republics, spells out an inspiring list of steps to allow co-ordinated market reform and financial stabilisation. The project's authors hope separate agreements spelling out the details will be agreed by the republics within three months.

But Mr Yeltsin, who at the signing ceremony recalled that republics had already broken previous economic agreements, has promised he would be launching price reform and other radical steps as soon as he appointed a new government this week.

"We will need to endure for half a year and then there will be stabilisation like in Poland," he said in a TV interview last week, in which he suggested he would be freeing prices in a matter of days.

But his economics minister, Mr Yevgeny Yasin, said no specific plans for price reform have been worked out. Other economists, such as Prof Yevgeny Yasin, say freeing prices without creating a mechanism for macroeconomic stabilisation, as set out in the treaty, would be just an "adventure".

Mr Yeltsin, anxious to deliver results in the face of public impatience 100 days into his presidency, may surprise the country again. The government he names will be a pointer to his plans for surviving what he has warned will be a harsh winter for his voters.

# Ukraine lays foundations for independence

Kiev's confidence stems largely from its economic strengths, writes Chrystia Freeland

CHIPPED by chip, the Lenin statue in downtown Kiev is being dismantled. One day the head was gone, then the shoulders. Today, workers are hacking away at the navel.

In the same incremental fashion, the Ukraine is inching towards independence. Just as Lenin will eventually disappear altogether from the recently renamed Independence Square, the Ukraine's days in the union are numbered, even though President Mikhail Gorbachev still says he cannot imagine a union without the Ukraine.

Today, when the reconstituted Supreme Soviet, the only remaining legislative structure of the Soviet Union, will hold its inaugural meeting in Moscow, the Ukraine, the second largest republic, will not participate because its parliament is deadlocked on the issue of sending a delegation to the centre.

In fact, only seven of the remaining 12 republics will be sending delegates to what will be little more than a lame-duck parliament.

Last week, the Ukraine shunned a treaty to form an economic community. Ukrainian leaders, whose republic accounts for 46 per cent of Soviet agricultural output and

Whereas other separatist republics want to evict the foreign Soviet presence, Ukrainians want to take a chunk of the Soviet Union with them

four eastern European countries and much of its Black Sea coast, though Russia has no plans to let go the Crimean Peninsula ceded to the Ukraine by former Soviet leader Nikita Khrushchev.

But the Ukrainians are often intentionally ambiguous. Afraid of alienating the Russified and populist eastern Ukraine before the December 1 referendum on independence, the Ukrainian government is sending mixed public messages, even as it builds the institutional framework for sovereignty.

Some Ukrainian officials were still claiming at the weekend that it was just a matter of time before the Ukraine signed the economic union treaty.

Within government circles, however, the move to independence seems unstoppable. Ukrainian leaders, whose job long consisted of implementing



plans made in Moscow, have a new, irresistible vision of themselves as autonomous, respected members of the world community.

The principal theme after the return of Ukrainian government heads from a whirlwind international tour, as expounded by Mr Leonid Kravchuk, the leader, was: "The world is waiting for the appearance on the world stage of a full blooded, full-fledged state called Ukraine."

A good part of the Ukraine's self-confidence is based on economics. Ukrainians, who proudly contrast their nearly balanced budget with Russian President Boris Yeltsin's growing deficit, believe a separate

Ukrainian currency, to be called the hryvnia and initially printed in Canada, will be more solid than the rouble.

The Ukraine's agricultural wealth, 60 per cent of the Soviet Union's sugar, and a quarter of the beef, gives it a strong bargaining position in the Soviet Union's shortage-plagued economy.

Energy is the Ukraine's economic Achilles heel, but republic leaders believe that whatever the political relation between Russia and the Ukraine, Russia will soon demand world prices for its oil.

In preparation, the Ukraine has laid in a cushion of 8m tonnes of coal and has cut out the Moscow middleman in its electricity sales to eastern Europe, which were worth \$1.2m (\$280,000) last year.

It will be harder to sever the spiritual ties between the Ukraine and Russia. While dismantling Soviet statues with uniform public approval, a conflict is raging in Kiev over an older monument.

Fist fights and hunger strikes have been provoked over whether the St Sofia Cathedral, the holiest church for orthodox Slavs, should go to the pro-independence antiochian orthodox church, or to the rival pro-union congregation.

## Highlights of the economic pact

These are highlights of the treaty for an economic community signed by eight republics in Moscow on Friday:

- Members are "independent states that either are or were subjects of the Union of Soviet Socialist Republics... seeking to effect radical economic reforms and considering the common nature of problems confronting the states... realising the advantages of economic integration".
- Members are to conduct co-ordinated policies in transport, energy, the monetary and banking system, finances, taxation and prices, customs rules and tariffs, foreign economic relations.
- States recognise that "private ownership, free enterprise and competition form the basis for economic recovery".
- States allow free movement of labour, same legal conditions for businesses of other members states as for their own nationals; restrictions on movement of goods and services are to be lifted within an "agreed period of time".
- States "recognise that concerted monetary and credit policies are of priority importance to finding a way out of the crisis and controlling inflation" and "realise the need to preserve and strengthen the rouble as the common currency of a single monetary system; may introduce their own

national currencies if they meet conditions ruling out harm to the community's monetary system; these conditions shall be specified in separate agreement; immediate aim of community is internally convertible rouble".

- Economic community is to set up, "on the principles of a reserve system, a banking union including the central banks of member states" and to establish an inter-state bank for issuing money, as well as banking inspectorate with equal representation for republics to monitor banking union's implementation of charter; pending adoption of charter, a provisional board of Gosbank USSR and republican central banks to run central banking system.
- Community establishes limits for member states' budget deficits; sums exceeding these limits will be registered as debt to other member states; a community budget, to be formed by fixed payments from members, cannot be in deficit.
- Community, being a "legal successor to all foreign economic commitments of the USSR, and equally to other countries' commitments to USSR, guarantees their fulfilment"; establishes bank which is legal successor to Vneshekonombank to handle debt repayments; sorts out share of

former and present members of USSR of the foreign debt burden; member states recognise need to establish a "single procedure for accumulating hard currency receipts to service foreign debt".

- Customs policy towards third countries to be co-ordinated, but member states independently to regulate foreign economic activity and establish licences and quotas within the limits of overall quotas.
- Member states agree on joint membership of International Monetary Fund but may seek individual membership.
- 25 detailed agreements to be negotiated to spell out details in areas including: "Status and powers of community institutions; these are to include a council of heads of government; an executive inter-state economic committee, whose chairman will be appointed by heads of government; a court of arbitration; banking union regulations; principles and mechanisms for servicing community's foreign debt; the community budget; co-ordinated price reform; list of goods whose prices remain fixed at agreed levels in a transition period.

The treaty provides for associate membership, with terms determined on a case-by-case basis by the community, whose agreement is needed for accepting new full members.

## EC, Efta face their last chance today

By David Buchanan in Brussels

VIRTUALLY the last chance for the EC and the European Free Trade Association (Efta) to create a common 19-nation economic zone will come today when ministers meet in Luxembourg to try to close their remaining differences on fish, road transit and money.

The outstanding issues are trivial in relation to the prospect of creating the European Economic Area (EEA) comprising some 380m consumers.

This would involve the seven Efta states putting some 10,000 pages of EC single market legislation onto their national statute books, copying Brussels in establishing supra-national control of cartel and state aid activities, and setting up joint political bodies with the EC to run the EEA.

The Dutch and Finnish governments, the current respective presidents of the EC and Efta, are aiming at a breakthrough tonight on the fish, transit and money disputes, even though there is no final overall agreement yet ready for signature.

However, if the impasse continues tonight, it will almost certainly consign the EEA negotiations to oblivion for at least the rest of this year, if not for good.

The Dutch government already has more than enough on its presidential plate in trying to steer the Twelve to political and monetary union, while several Efta states have dramatically shown their impatience by applying for full EC membership.

Finland is next spring expected to follow Austria and Sweden in bidding to join the EC club.

Today's negotiation kicks off with a meeting of EC transport ministers, who will be asked to approve a road transit compromise that the Dutch presidency and the Commission have reached with Austria and Switzerland.

But Greece is threatening to block this deal which would apparently only allow a truck of more than 28 tonnes weight on Swiss roads if it was new, carried perishable cargo and could not be carried on a rail-car.

The fish and money disputes are essentially north-south conflicts.

In return for allowing Efta's highly competitive industry free access, through the EEA, to their market, Spain and Portugal have been demanding more access for their trawlers to Efta fishing waters, and a

"cohesion" fund from Efta to help develop poorer regions of the EC such as Iberia.

Any solution is likely to include a trade-off, with Spain and Portugal demanding more money if they get less fish, and vice versa.

Since Iceland flatly refuses to give the EC more access to the fishing industry on which 80 per cent of its economy depends, everyone has been looking to Norway for concessions.

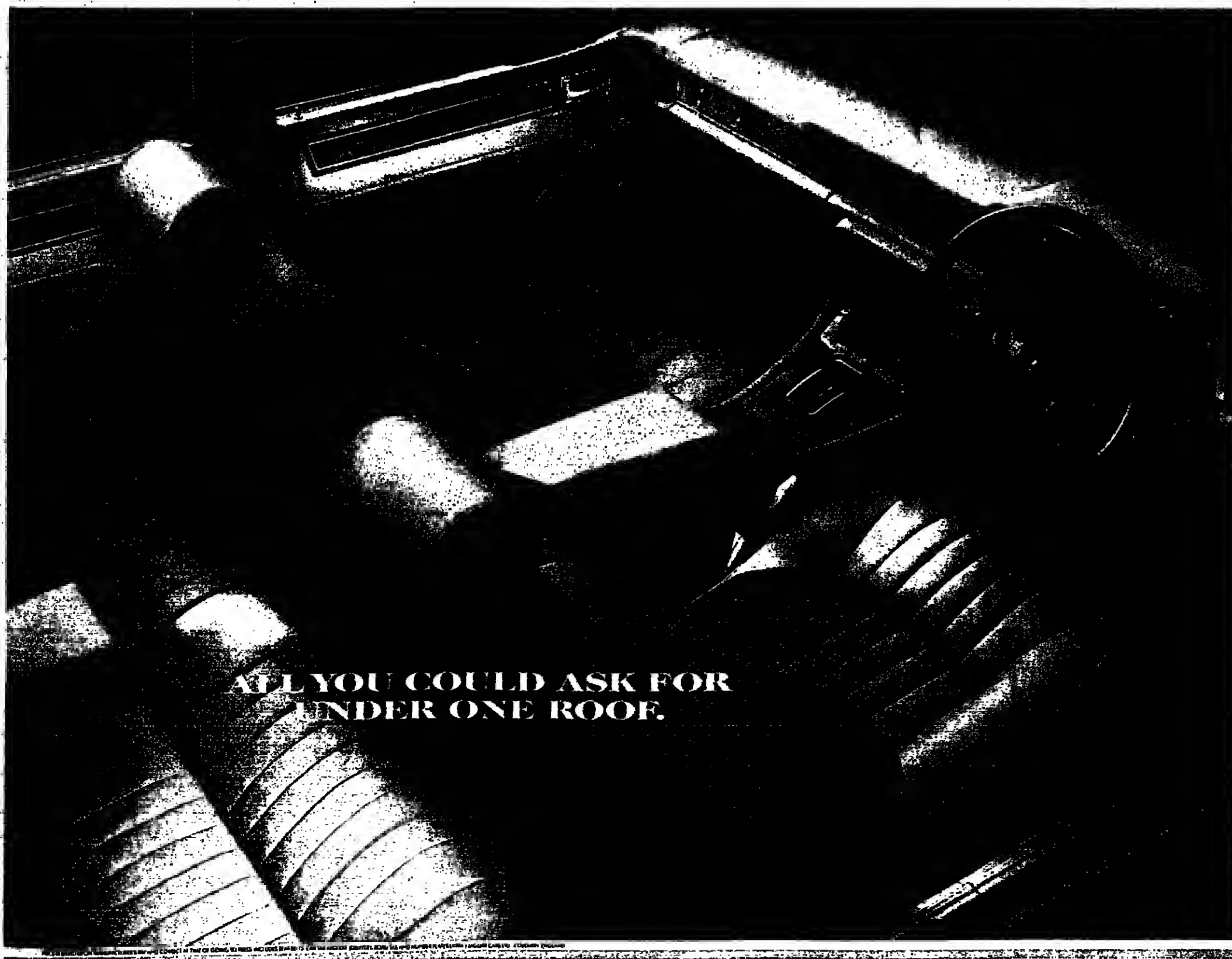
But Norway still only seems ready to offer less than half what Spain and Portugal demand.

The issue is further complicated by the insistence of the UK, Ireland and, to some extent, France, that their fishermen should not face totally free competition inside the EC from Efta fish products.

## Confusion over who makes energy policy

THE second full session of talks on the European energy charter begins tomorrow, amid confusion about who is responsible for energy policy in the Soviet Union, the most important country involved in the talks. Andrew Hill reports from Brussels.

A main aim is to help the Soviet Union exploit its resources, but the 34 other participants are said to be unclear about whether to talk to the national government or the republics. The first session took place in July. In working groups since, the Soviet delegation has been fronted by the national government, along with representatives of individual republics. Officials are meeting today to continue work on drafting the charter, due for signing in December.



ALL YOU COULD ASK FOR UNDER ONE ROOF.

From the moment you enter the air-conditioned cabin, there is little doubt that the standard selected for the Jaguar Sovereign is one of uncompromising luxury.

Ease the door closed and you enter a unique environment tailored and perfumed with supple, hand-stitched hides. Here the mellow lustre of inlaid burr walnut discreetly counterpoints an interior that has long been synonymous with this distinctively British Saloon.

Generously proportioned front seats, with lumbar support are electrically adjustable, so perfect positioning is available at the touch of a button, while in the rear, there is armchair luxury, and individual reading lamps add a further touch of distinction.

Windows, aerial and heated mirrors are also electrically controlled for easy, efficient use. At your fingertips, a choice of 'sport' or 'normal' automatic transmission driving modes is complemented with power-assisted steering. Whilst cruise control takes the exhilarating performance of the Sovereign's 24 valve 4 litre electronically managed engine into near silent obedience. Other technical innovations include a sophisticated anti-lock braking system and a low-loss catalytic exhaust.

As with everything else, the Jaguar Sovereign's in-car entertainment sets its own standard.

A custom-designed system featuring a radio that ingeniously scans the airwaves for traffic reports, even when the driver is listening to a cassette, on the sophisticated optional Compact Disc player. A modestly priced addition, in a marque that continues to have all the options exceedingly well covered.

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## UK stores plan to break law on Sunday trading

By Robert Rice, Legal Correspondent

THE GOVERNMENT came under renewed pressure yesterday to introduce urgent reform of Sunday trading legislation as leaders of the big supermarket chains announced plans to break the law by opening on the two Sundays before Christmas.

The campaign, led by Sir Ian MacLaurin, chairman of Tesco, involves Sainsbury's, Safeway and Asda. It could result in as many as 4,000 stores opening on December 15 and 22.

The food chains said they were being forced to take this action because some competitors were already breaking the law and gaining an unfair advantage. Gateway and Budge both open their stores on Sundays in some parts of the country. In Scotland, where Sunday trading is not illegal, Safeway is believed to have made gains in sales of up to 27 per cent by opening on Sundays at 51 of its 52 stores.

The campaign drew strong criticism from Unions, the shop workers' union. Mr Garfield Davies, general secretary, said he was "appalled at the suggestion".

He urged Sir Patrick Mayhew, the attorney general, to step in quickly to prevent the supermarkets from going ahead with their plan.

The union said it would be seeking meetings with the companies concerned. An Unions official said it was wrong to ask supermarket workers to break the law.

While in the past there had been strong economic arguments for Sunday opening of department stores and gift shops, before Christmas, in order to do more business, the same could hardly be said of supermarkets, according to the union official.

The Shopping Hours Reform Council, which has been campaigning for reform of the Sunday trading laws, said yesterday that it would not have been necessary for retailers to break the law if the government had acted promptly to reform the 1960 Shops Act, as it had promised to do. "The council said: 'Retailers are caught between meeting the wishes of consumers and breaking an archaic law. The government should act now so retailers are not forced into breaking the law to meet the wishes of their customers.'"

### CORRECTION

#### Mr Jack Dromey

THE FT reported on Saturday that Mr Jack Dromey, national secretary of the TGMU general union, had been replaced as chair of the union committee that negotiates pay for blue-collar workers in local government.

Mr Dromey wishes to make clear that he had simply completed his two-year term of office and that it was the turn of another union to take the chair. We apologise for any wrong impression given.

## Government may abolish tax relief on private health

By Ralph Atkins and Alan Pike

THE abolition of tax relief on private health insurance for the elderly was signalled yesterday as the government intensifies efforts to regain confidence in its handling of the state-run National Health Service (NHS).

Mr William Waldegrave, health secretary, said the tax concession, introduced by the government as part of its 1989 health service reforms, had not worked. "It's expensive to administer and it hasn't really been taken up, I gather, very widely," he said.

The opposition Labour party swiftly denied his comments as a "retreat" from the policies of Mrs Margaret Thatcher, former prime minister. Mr Waldegrave will come under further pressure today when the Commons debates the NHS.

A Harris opinion poll in yesterday's Observer newspaper showed Labour with a seven percentage point lead over the Tories, largely because of fears over the NHS. It suggested the Tories would have lost a November election.

Conservatives will try to regain ground today with the announcement of increases in

excess of inflation in social security benefits for the most vulnerable pensioners - although the plans have already been dismissed as "marginal" by Mr Michael Meacher, Labour's social security spokesman.

Speaking on London Weekend Television, Mr Waldegrave insisted that the "public service ethos" of the NHS would be preserved - despite Labour's claims that he wanted to privatise the service. But he wanted lessons to be learnt from the private sector.

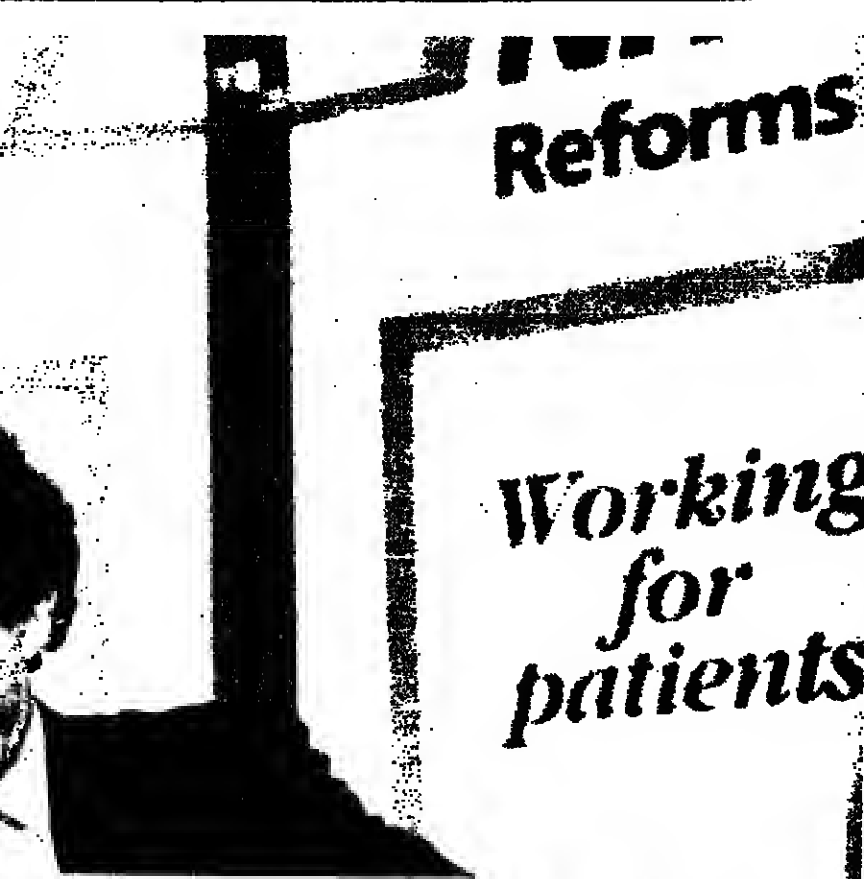
The creation of an internal NHS market was not a right-wing ideology, he said, but had been proposed initially by Dr David Owen, former leader of the defunct Social Democratic Party. "It is, if you like, a social democratic idea. It is being limited in Germany, France, New Zealand and in Sweden," Mr Waldegrave said.

Mr Waldegrave pledged there would be no further tax breaks for private health insurance, national health trusts would not be allowed to become private, and the proportion of NHS income raised from charges would remain at about 5 per cent.

## NHS Reforms



Hoping for a clean bill of health: William Waldegrave is spearheading attempts to rebuild confidence in Tory policy about 5 per cent.



intention not to "privatise" the NHS and to maintain it as a tax financed public service. The government has found that even when relief is allowed, private health insurance contributions are expensive for retired people. Mr Robin Cook, Labour's health spokesman, said: "Their plans, which were dogmatic and doctrinaire... have now collided with reality and they are having to admit that they have failed and they will very soon have to admit that they have failed on other areas as well."

## Environment plans threatened by a lack of resources

By John Hunt, Environment Correspondent

MR MICHAEL Heseltine, secretary of state for the environment, has been warned that his far-reaching plans for the protection of the environment could be delayed by a lack of resources.

Mr John Hobson, director of the Department of the Environment's pollution control and wastes directorate, has told Mr Heseltine that the implementation of the Environmental Protection Act could be held up.

"Unless substantial additional resources can be made available over the next three years it is inevitable that something will have to give,"

said Mr Hobson in an internal DoE report. The act, which is the Government's flagship "green" legislation, lays down a new system of integrated pollution control to clean-up industry.

Without more government resources there would be substantial slippage in the timetable of the act or, alternatively, the directorate would have to opt out of some policy development issues.

Mr Hobson said he is not recommending that the timetable should be put back but he pointed out that it is not easy to drop work on new policies

where there are public commitments or international pressures. Mr Tim Brown of the National Society for Clean Air and Environmental Protection said: "The Government has given priority to the environment but when it comes to getting things done on the ground they don't really have the staff or resources to come up with the goods."

Introduction of controls over many industrial processes have already been delayed for a year until next April. Further delay would be an embarrassment to the government.

The warning to Mr Heseltine came in a report under the Minis (ministerial information) system which he personally developed. Under this Whitehall departments have to state their policy targets and show how efficiently they are achieving them.

Mr Hobson said that his directorate, which is the section of the DoE dealing with pollution and waste disposal, has faced a daunting load of detailed implementation work against a background of resource shortages and continuing outside pressure for environmental innovation.

Particular problems of resources were caused by the introduction of new local authority waste disposal companies, proposals for environmental labelling and auditing and for a deep repository for nuclear waste.

There were continuing attempts to keep up with the exponential increase in public interest in environmental policy and the government's approach to the environment domestically and internationally.

This, with the combined burden of the act and the government's white paper on the environment "has put a heavy strain on staff and other resources," says Mr Hobson.

## Officials expect to settle row with EC

By Ralph Atkins

DEPARTMENT of Transport officials are confident that the damaging clash with the European Commission over environmental studies for seven UK construction projects can be resolved without a further row.

Mr Malcolm Rifkind, transport secretary, is to prepare a point-by-point response to a letter sent last Thursday by Mr Carlo Ripa di Meana, the environment commissioner.

Mr Ripa di Meana suggested the high-speed rail link from the Channel tunnel to King's Cross station - should be halted until the dispute over whether full environmental impact studies had been carried out was resolved.

Mr Rifkind is expected to argue, however, that all the schemes conformed to strict UK planning procedures, including an environmental

assessment equivalent to European standards. In dispute is whether the UK was correct to implement the European environment directive with legislation that exempts projects where an application for development consent was made before July 1988.

One transport official said yesterday: "There are explanations to be made and we hope that the commission will understand our point of view."

Although irritated by the commission's intervention, ministers appear determined not to let the row widen or become confused with the politically sensitive debate over moves towards European economic, monetary or political union.

Britain has been given two months to reply to the commission.

## BBC told to give up regional service

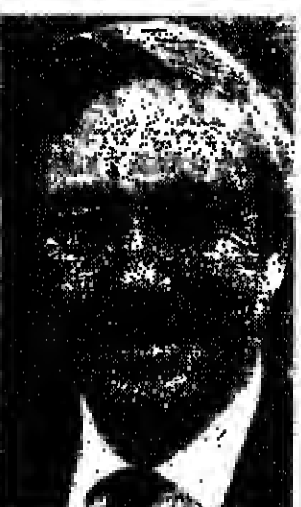
By Raymond Snoddy

MR GEORGE RUSSELL, chairman of the Independent Television Commission (ITC), said yesterday that the BBC should in future concentrate on being a national rather than a regional broadcaster.

Mr Russell was speaking at the end of the week in which his commission decided to withdraw franchises from four ITV companies after competitive tenders which determined the future shape of the regional ITV system.

"If we have got one group that is a regional system, perhaps the BBC should say: 'We are a national system.' That gives them a different shape, but a massive role to play that certainly will not move its rating battle with the ITV system," he said on Answering Back, the Channel 4 interview programme.

Asked whether the BBC should now get rid of local radio and television, he said: "I am saying they have to examine what their role is. Can they afford that that when it is



Russell: warning BBC

years would have to return to its core.

"If the BBC wants to use its money they should use it to be the major national broadcaster," said Mr Russell.

The corporation had got five radio channels, two television channels and a World Service and that was a big job to concentrate on.

Mr Russell, in his first interview since Thames, TV-am, TVS and Television South West lost their franchises, also predicted there would be mergers between ITV companies during the 1990s.

"My bones say that we will see a concentration of the 15 (ITV) companies to some smaller grouping," the ITC chairman said. "The large ITV companies are prevented from merging by law and that should continue."

Mr Russell also said that Mrs Thatcher's letter to Mr Bruce Gyngell, the TV-am chief executive, had been a complete surprise. In the letter Mrs Thatcher described herself as

mystified and heartbroken that TV-am had lost.

"I think the legislation that she expected was one that the highest bidder would win. That certainly happened in the area of the breakfast franchise," Mr Russell said.

The ITC chairman predicted that there would be three applicants for the new Channel 5 broadcasting licence due to be advertised early next year. Mr Bruce Gyngell, chief executive of TV-am, yesterday withdrew his prediction that the Sunrise consortium, which is to take over the breakfast TV franchise, would be bankrupt by 1994.

Mr John Birt, BBC director general designate, yesterday warned political parties against trying to put pressure on the BBC.

## Consumer service industries face deeper recession

By Guy de Jonquieres, Consumer Industries Editor

THE CONSUMER service industries face a deepening recession which will cancel any economic gains from a recovery in manufacturing next year, according to a report by Robert Fleming, the merchant bank.

It said that after growing exceptionally fast in the 1980s consumer services were burdened with excess capacity and debt which would lead to many further job losses and business failures.

The scale of rationalisation required to redress the balance between existing capacity and expected demand suggests that services employment will fall significantly for at least the next two years, it said.

The prices of consumer services, which had consistently risen faster than general inflation, were coming under downward pressure.

Price cuts were still, however, being resisted by those producers with strong market positions. Fleming said: "Before the 18-year trend of rising relative service prices is broken, it is likely that a significant reduction of capacity in services provision will occur as the weaker businesses lose the support of the banks."

While the private sector as a whole increased non-mortgage bank debt by 61 per cent in the

three years to last May, there were increases of 82 per cent in non-financial services, 92 per cent in transport and communications and 110 per cent in hotels and catering.

Catering, accommodation and travel were already suffering from reduced consumer spending.

Fleming said the full impact had yet to be felt in vehicle services, recreation, life assurance and household services.

He also said the recession in the service industries did not begin in earnest until early this year and was affecting them in four different ways.

● A disproportionate reduction in discretionary spending, as financially over-stretched households faced up to their difficulties.

● Cuts in corporate perks, such as company cars, subsidised mortgages and expense accounts.

● Postponement of holidays, car maintenance and other services purchases.

● Reduced purchases of services such as nappies, restaurant meals and deliveries, as consumers performed more of these tasks for themselves.



Bucking the trend: The Tall House Restaurant in Southwark Street, London exclaims its confidence in the future

## Survey finds sharp rise in confidence among smaller companies

By Charles Batchelor

BUSINESS confidence among smaller companies has increased sharply over the past three months, according to the latest Enterprise Barometer index compiled by SI, the largest UK venture capital group.

The index, which measures how conducive the business

climate is to economic growth, rose from minus 8 in June to plus 47 in September, the highest figure since April 1989.

Almost half of businesses questioned expected to increase sales in the current quarter, compared with only 39 per cent in the last survey.

Twenty five per cent said they would increase investment spending, against 19 per cent three months before, but overall there were still slightly more companies planning to cut investment.

Among manufacturing companies, however, slightly more

said they planned to increase investment. Just under 30 per cent expected to increase spending. Overall, the companies surveyed predicted they would be employing 5.5 per cent fewer people at the end of 1991 than at the beginning of the year.

## Market for MBOs likely to recover

By Charles Batchelor

THE MARKET for management buy-outs (MBOs) is showing signs of recovery from the dip in 1990, according to a survey by KPMG Peat Marwick.

The accountancy firm says it is six months since any large buy-outs - valued at more than £10m - went into receivership. In the 15 months to March 10 buy-outs failed.

In the third quarter of this year 12 large buy-outs worth an average of £28m were completed. In the second quarter there were 13, worth an average of £45m. In the first quarter seven deals worth an average of £17m were done.

The £1.12bn total value of the 32 deals in the nine months compares with 47 deals worth £1.84bn in the same period last year. Smaller buy-outs worth an estimated £450m were completed in the first three quarters, against £540m last year.

However, a more cautious view is taken by Nottingham University's Centre for Management Buy-Out Research (CMBOR), whose figures refer to the first half of this year. It says the number and the value of buy-outs fell from 1990 levels, but were higher than in previous years. Buy-outs and buy-ins accounted for 52 per cent of the acquisition market.

The centre, which studies smaller deals in more detail than Peat, reported a 10 per cent fall to 283 in the number of buy-outs and buy-ins completed in the first half of 1991.

## BRITAIN IN BRIEF



### Procurement proposal to be reviewed

Mr John Major, the prime minister, has intervened in the expected plan by the Ministry of Defence (MoD) to move its air and sea procurement arms to Bristol in western England. Mr Major, who has ordered a review of the plan, is concerned at the political implications of the decision.

The government had been expected to announce last Tuesday that it was to relocate at least 5,000 jobs to the Bristol Business Park.

An announcement is now expected in about 10 days. If the MoD goes ahead with its original plan would be a blow to Birmingham and Cardiff, both of which lobbied hard to get the relocation.

Some 2,700 jobs would be transferred from London under the plan and another 1,100 now in London would be recruited locally. Another 900 would move from Portsmouth and Weymouth and a further 200 jobs in these two centres would be recruited in Bristol.

### Car parks chief faces charges

Mr Gordon Layton, chief executive of National Car Parks, the largest car park company in Europe, has been released on unconditional bail following charges of industrial espionage.

Ms Jane Turpin, a former army officer, and Mr Simon Hewitt, a security specialist, appeared with him at Exeter magistrates court this week-end. The three were charged with conspiring to defraud Europarks, a competitor, between 1987 and 1989, and with acquiring information belonging to Europarks.

Ms Turpin was further charged with obtaining employment with Europarks by deception. She and Mr Hewitt were also released on bail. The defendants are due to reappear in court in December.

### Lawyers urge new penalties

THE government has been urged by lawyers to adopt tough penalties - including a 10-year disqualification from business - for company directors and business managers who put the safety of employees and the public at risk.

Presenting a draft private members bill to solicitors at the Law Society Conference in Brussels at the weekend, Mr David McIntosh, senior partner of City lawyers Davies Arnold Cooper, said "corporate high-nips" far too often went unpunished while those lower down were prosecuted.

Under his corporate accountability bill, companies would be forced to hold annual health and safety audits. Those flagrantly in breach of safety requirements could be closed down.

Mr McIntosh said: "Although corporate manslaughter is a recognised crime, it is, as the outcome of the Zebrugg ferry sinking prosecution confirms, virtually impossible to establish in evidence."

### HDTV strategy condemned

The Consumers' Association has attacked the European Commission over its high definition television (HDTV) strategy, saying it will force viewers to pay more for equipment which might be obsolete within a few years.

The consumer watchdog says the Commission has failed to take consumers' interests into account and calls for the scrapping of a proposed satellite broadcasting directive, which is due to take effect at the beginning of next year.

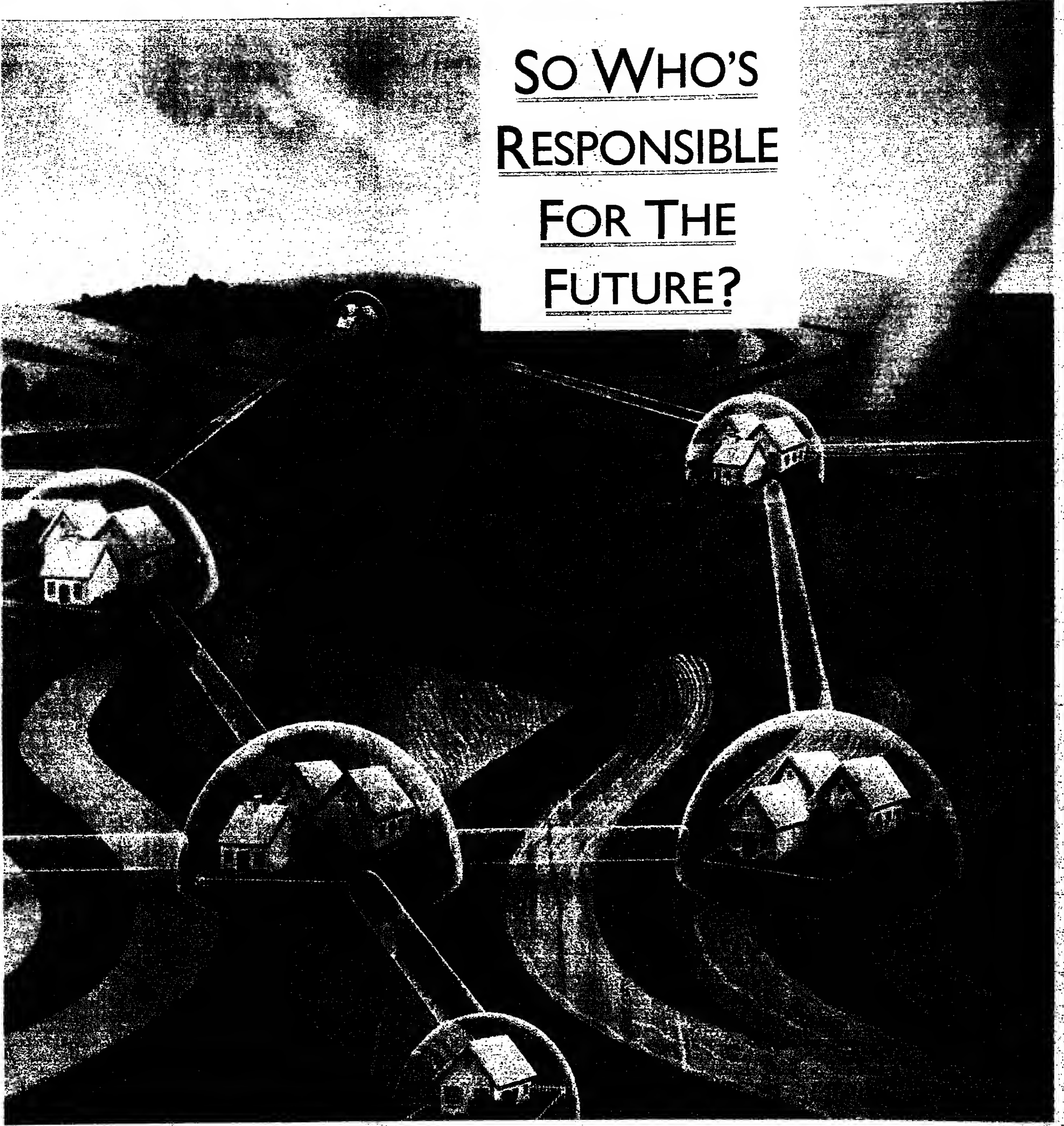
### Statistics job may be split

The government is prepared to split the functions of its top statistical job between two people, in an effort to improve the reliability of official data on the economy.

The plan applies to the job of director of the Central Statistical Office. At present the CSD director is also head of the broader Government Statistical Service, which covers such fields as health and transport.

Under the new scheme a top manager could take over as head of the CSD with a remit to improve accuracy and timeliness of economic statistics.





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## UK NEWS

# Criticism over Post Office closure plans

By Emma Tucker

POST OFFICE services to the public will be damaged by the closure or sale of nearly 500 branches by early next year, the UCU postal workers' union claimed yesterday.

The union was responding to a leaked document written by Mr John Roberts, managing director of Post Office County, showing that one third of the 1,493 Post Office branches operating in March 1989 will be closed or converted to agency status by March next year.

The Post Office dismissed the claims saying that the planned changes were administrative and would not affect customers.

Mr Peter Hain, Labour MP for South, described the changes as "illicit privatisation". He has written to Mr Peter Lilley, the trade and industry secretary, protesting that parliament has not been consulted.

"Selling off or closing 500 Crown offices in towns will hit local pensioners and deprive local communities of a vital facility," he said. "The sub post office is often the life blood of a village and their closure could be catastrophic for rural areas."

Earlier this month at the Conservative conference in Blackpool Mr Lilley hinted that some areas of the Post Office would be privatised if the party won the general election. He promised to reduce the Post Office's monopoly on letters

costing less than 11 to post.

However, he emphasised that measures to reduce the monopoly would not be allowed to undermine its obligation to provide a uniform national service to all addresses.

Since 1989 the Post Office has converted around 300 of its main branches into agency-run offices. Some agencies are run by private individuals or by franchisees, but offer the same range of services.

The Post Office said the changes were designed to reduce running costs without "impacting the customer" and reiterated its intention to maintain a network of offices in the community. "Exactly how we do that is a business decision," it said.

However, the UCU said it feared that once branches were taken over by agencies or franchisees their permanence would no longer be guaranteed.

Its figures suggest the network will be reduced from 1,493 branches to 1,005 by 1992. Mr Ernie Dudley, UCU national officer, said: "The Post Office is not a private business and should not be operated as such."

Mr Doug Henderson, Labour industry spokesman, said the Post Office had been forced into the "closure programme" by the government's refusal to allow them to diversify counter services.

# Ulster gunmen claim debate as their victim

Ralph Atkins and Our Belfast Correspondent on a hardening in attitudes of the province's terrorists

LOYALIST paramilitaries, fighting a grisly battle for Queen and Ulster on the back streets of Belfast, have been on the rise in recent days - knocking debate on Northern Ireland's political future in to the shadows.

For the first time, loyalist paramilitaries are running at the same level as killings by the IRA. The latest, Mr Brian McCabe, a 33-year-old Catholic man, shot by the Ulster Freedom Fighters in east Belfast, died last week when his life support machine was switched off.

Politics has all but stagnated. A general election looms in the UK. Neither the terrorist nor local politician sees any gain to be made from making concessions to their opponents.

Mr Charles Haughey, the Irish prime minister, yesterday echoed Mr Peter Brooke, the Northern Ireland secretary, in saying the increase in sectarian violence made political dialogue more important still.

Yet in the vacuum, security provision has become paramount. It was a focus of last Thursday's meeting of British

and Irish ministers in London. Mr James Molyneux, leader of the Ulster Unionists, will meet Mr Brooke today, not to discuss the political impotence of locally-elected representatives, but politics in the province.

Local politicians clamour for a more aggressive security policy. Mr Hugh Annesley, chief constable of the Royal Ulster Constabulary, said he is impatient for a decision on his request for 440 extra police officers.

Deaths from terrorist violence this year total 70, just three short of the total for the whole of 1990.

Loyalist gunmen have murdered 16 out of the 26 people killed in the province since fighting their ceasefire during the "round-table" political talks which ended in July.

The surge in loyalist terrorism is perhaps organisational in origin. Ironically, the Stevens report last year into collusion between the Ulster Defence Regiment and loyalist paramilitaries might have forced a re-grouping and greater discipline, as well as possibly ending useful contacts made by the security forces.

The perceived success of the IRA, which increasingly has been targeting businessmen and labourers carrying out work for the security forces, may have encouraged a counter offensive.

So much is sophistry. Straight-forward hatred, distrust and defensiveness may be the simpler explanation: the conspiracy theory is not used to explain racial attacks in east London.

Nevertheless, Mr Brooke, who defied expectations this summer to start talks between the main constitutional parties, has been left floundering.

He has again called for terrorists to recognise that true reconciliation can only come by peaceful means. It is a message heard a thousand times before.

The official policy is to find an agreement on political structures in the province that can win widespread acceptance. Mr Brooke is simply a facilitator. However, as terrorism intensifies, and attitudes harden, his quest for a package that can form a common denominator across unionist and nationalist communities becomes more difficult.



Politics of protest: the failed talks on Northern Ireland's future started amid opposition

Politicians who back violence are specifically excluded from talks with Mr Brooke.

However, he has gone further than predecessors to pull supporters of nationalist terrorists into constitutional politics. Britain has "no selfish strategic or economic interest in Northern Ireland", he said in a speech last November. It is not the aspiration to a united Ireland to which he objects only its violent expression.

Yet Sinn Féin, the political wing of the IRA, remains an

ideological opposite of the parties working within the Westminster system.

Mr Brooke's soft words may have backfired, provoking Loyalists into a still greater sense of defensiveness.

Soon Mr Brooke may have to move from his neutral stance. There are signs that senior Conservative's are re-examining about hung parliaments. Ulster Unionists - traditional Conservative allies - hold nine seats at Westminster, the Democratic Unionists three.

They may have to be wooed. At the same time, Conservatives are fighting Northern Ireland seats for the first time at a general election.

So far, shifts of policy have been denied. Mr Brooke was non-committal as he left the Anglo-Irish conference last week. When asked if he would remain a mere facilitator or revert to being a Conservative and Unionist politician, he replied with a smile: "I look forward to a cross-examination of that sort."

## British Airways parcel deal

BRITISH Airways and British Rail are co-operating to provide an international parcel delivery service, John Thornhill writes.

Red Star International, a division of BR's parcel delivery arm, has appointed British Airways' Speedbird airport-to-door service to carry a substantial part of its international traffic. Red Star will be able to use a wide range of short- and long-haul flights and will have direct access to British Airways' computerised route planning, tracking and monitoring system.

British Airways launched its Speedbird service last September to provide an independent global distribution network for freight-forwarding and courier companies serving more than 100 countries.

The Red Star arrangement, which comes into effect immediately, follows a six-month pilot scheme. Red Star previously employed several different airlines and agents.

## Shake-up plan for customs activities

By Robert Rice, Legal Correspondent

CUSTOMS and Excise is planning a radical shake-up of its revenue-collection arrangements, to make the UK more attractive for multinational companies and distributors.

The proposals, outlined in a consultation paper for the Joint Customs Consultative Committee, would introduce an "electronic" system for collecting VAT, customs duties and Common Agricultural Policy levies on goods from outside the European Community.

Under this "systems audit", most clearance and entry work would be moved from ports and airports. In effect, companies would be allowed to run their own customs entry and clearance with periodic audits by customs inspectors.

Traders would no longer have to wait until charges had been paid before dispatching goods to customers.

By integrating customs controls with other inland controls, Customs and Excise

hopes to develop "whole trader" contracts with all levies, customs and charges dealt with in one inspection. This would make trade with non-EC countries almost as easy as internal market trade after 1992.

Customs and Excise hopes to have the system - which would make trade with non-EC countries almost as easy as internal market trade after 1992 - in place by 1996. It believes it would give the UK one of the most flexible trade revenue regimes in Europe, attracting US and Japanese companies to set up UK bases.

It could result in heavy job losses in port areas where most customs processing is currently carried out.

Although clearance at ports would still be possible under the new system, the volume of work handled by entry processing units is already set to fall dramatically as customs declarations for intra-EC trade disappear on January 1, 1993.

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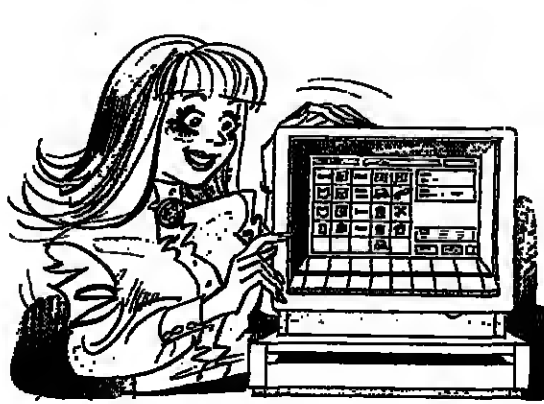
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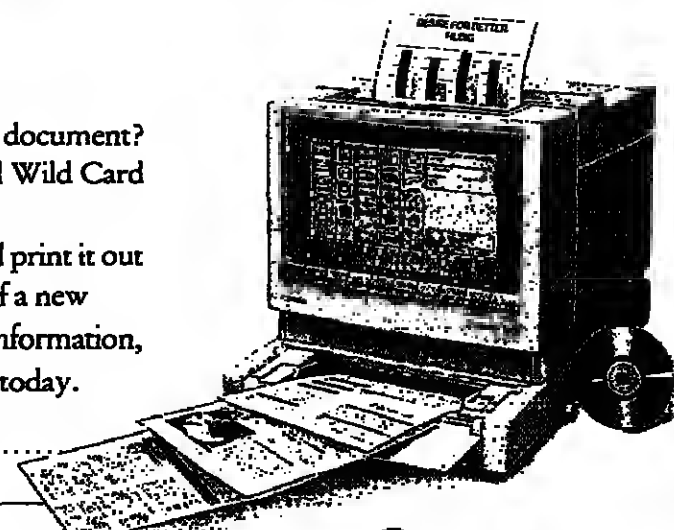
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Persons wishing to deal in the debentures on The London Stock Exchange during the week ending Friday, November 22 1991 are advised to do so for immediate settlement as the listing of the debentures will terminate on that day. The register of debenture holders will be closed from November 23 1991.

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Holders who are unable to trace their certificates are recommended to contact the transfer secretaries regarding the necessary requirements and documentation.

By order of the board  
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED  
per A J S Sebba  
Divisional Secretary

Transfer Secretaries  
Consolidated Share Registrars Limited  
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40 Commissioner Street  
Johannesburg 2001  
(PO Box 81051, Marshalltown 2107)  
and  
Barclays Registrars Limited  
Bourne House, 34 Beckenham Road  
Beckenham, Kent BR3 4TU  
Johannesburg  
October 21 1991





## THE WEEK AHEAD

## ECONOMICS

## Focus now on Japanese inflation

THE MARKETS will be looking for signs that Japanese inflation continues to moderate after its peak earlier in the year, and a possible cut in the official discount rate. The consumer price index is expected to have risen at an annual rate of around 2.7 per cent in September.

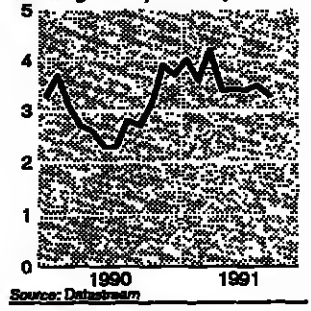
Last week, after a rise in the yen, the chorus of calls demanding the Bank of Japan make a prompt decision on rates in order to revive the economy grew louder. By the end of the year, economists at Yamachi Securities, the Japanese bank, expect the national inflation rate to be close to 2 per cent - which would be the best inflation performance among the economies of the Group of Seven biggest industrialised countries.

As the BoJ has been hard at work squeezing asset and goods price inflation out of the system, signs of a slowdown in the economy have built. Markets expect a cut in the ODR, which stands at 5.5 per cent. It was cut from 6 per cent on July 1, the first fall in four and a half years.

In the UK, attention is to

## Japan

Consumer price index (National) % change over previous year



Source: Datastream

focus on the monthly trade figures for September and today's retail sales figures. Over the past year, UK exports have been gently rising, a trend which economists have attributed to the demand caused by German unification as well as companies' ability to find overseas markets for their products. As German growth slows down following rises in tax and interest rates, the UK's penetration of EC markets is set to slow somewhat.

In the US, hopes of another

nightly Bundesbank council meeting, US, September durable goods orders (up 0.5 per cent), export price index, initial claims for week ending Oct. 12 (420,000), money supply figures for week ending Oct. 14 (\$1.11 down \$0.8bn; M2 down \$2.3bn; M3 down \$0.8bn). UK, September building society commitments (\$8bn), New Zealand, August trade balance, Australia, housing finance (down 2 per cent).

Friday: US, September existing home sales, 3rd quarter housing vacancies, September bank credit, September commercial and industrial loans, Japan, October Tokyo CPI (y-o-y 3.3 per cent) and National (y-o-y 2.7 per cent).

During the week: Germany, September regional cost of living data from Baden-Württemberg, Hessen, North Rhine Westphalia, Bavaria, October preliminary cost of living, import prices (m-o-m down 0.1 per cent, y-o-y down 1.3 per cent). France, September unemployment rate, Japan, Bank of Japan quarterly economic outlook.

Rachel Johnson

## UK COMPANIES

## TODAY

COMPANY MEETINGS: London Securities, Mill Ride Estate, Mill Ride, Ascot, Berks., 11.00 Murrey Income Trust, Do. West Nile Street, Glasgow, 10.30

## BOARD MEETINGS:

Wolsey Interims: Darlington Int. FR Group Petrocon Rowe Evans Waterford Wedgwood

## WEDNESDAY

COMPANY MEETINGS: Osprey Communications, 10, Little Portland Street, W., 10.00

## TODAY

Adacene 1.25p Black (Peter) 2.07p Calderburn 2.8p English & Scottish Invs.

## THURSDAY

Excelsior 1.4p Kingston Oil & Gas 1p Mandarin Oriental Int. (Bermuda Reg) 141cpts.

## FRIDAY

Do. (Jersey Reg) 141cpts. Persimmon 2.8p PowerGen 5.55p Do. (Fily Pd) 5.55p Do. (100p Pd) 5.55p

## SATURDAY

Queens Moat Houses 1.342p TSB 10.5% Sub. Ln. 2008 5.4p Texas Instruments 18cpts.

## SUNDAY

WSP Hldgs. 1.1p Walls Fargo 100cpts. Wilson (Connolly) 1.27p

## MONDAY

Murray Inc. 3.6p NatWest Fin. Gld. Fltg. Gld. Dual Basis B Bds. 2000 \$435.46 Do. A Bds. 2000 \$4560.07 Do. C Bds. 2000

## TUESDAY

Woolwich Bldg. Society

## BOARD MEETINGS:

Finals: Allied London Properties Edinburgh Inv. Trust Exmoor Dual Inv. Trust McKeechle Presses Hldgs. UDO Hldgs.

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## TUESDAY

Woolwich Bldg. Society

## E.C., 11.30

Trevion Hldgs., 341-349, Aldermanbury, E.C., 10.00

## BOARD MEETINGS:

Finals: Atwoods Smiths Inds. Interlase British & American Film Craig & Rose Plastiseal

## THURSDAY

COMPANY MEETINGS: Osprey Communications, 10, Little Portland Street, W., 10.00

## TODAY

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## TUESDAY

Woolwich Bldg. Society

## Insurance Institute, 20, Aldermanbury, E.C., 10.00

Sunset & Vine, 30, Sackville Street, W., 11.00

## BOARD MEETINGS:

Finals: Colorgen Govett Strategic Inv. Trust Majeda Invs. Overseas Inv. Trust Interlase

## THURSDAY

COMPANY MEETINGS: Osprey Communications, 10, Little Portland Street, W., 10.00

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## TUESDAY

Woolwich Bldg. Society

## Liverpool Street, E.C., 11.15

Glenox Hldgs., Grosvenor House Hotel, Park Lane, W., 11.30

## BOARD MEETINGS:

Finals: Colorgen Govett Strategic Inv. Trust Majeda Invs. Overseas Inv. Trust Interlase

## THURSDAY

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## TUESDAY

Woolwich Bldg. Society

Company meetings are annual general meetings unless otherwise stated.

## RESULTS DUE

SMITHS INDUSTRIES is expected to report relatively good news on Wednesday. Its annual pre-tax profit is expected to be just £3m down at about £117m. Smiths' expertise in refurbishing old aircraft will have buoyed up the defence-dependent business, which accounts for half of group turnover. The medical and industrial products divisions are expected to show a slight improvement.

All eyes will be on Smiths' acquisition policy and hopes are that its cash mountain will be used to good effect outside the declining aerospace business.

McKeechle, the Walsall-based group with interests stretching from metal and plastic components to household consumer products, has been coping with recession better than many of its peers.

Disposals have taken out most of its gearing and cost-cutting has helped to hold up margins. But trading has remained difficult and a decline in annual pre-tax profit to between £21m and £22m, from £28m, looks likely

when it reports tomorrow.

Hints that Californiao operations have performed more poorly than expected have led analysts to downgrade forecasts for Wolsey, the plumbing and building materials distributor which also reports tomorrow. Pre-tax profit for the year to July is expected to be between £78m and £80m, down from £121m.

In the UK, Wolsey seems to have continued to outperform its competitors in dire conditions for builders' merchants.

When Amber Day, the fashion retailer, launched a £24.4m rights issue in June, it forecast that pre-tax profit would more than treble in the year to August 3.

Today's results announcement is, therefore, expected to include a pre-tax figure of nearly £10m, compared with £3m in 1989-90. What Everyone Wants, the discount shopping chain, will probably have contributed 95 per cent of operating profit. The Woodhouse and Review menswear shops in the south of England have proved more vulnerable to recession.

## BRISTOL

The FT proposes to publish this survey on November 29 1991, from its print centres in Tokyo, New York, Frankfurt, Roubaix and London. It will be read by senior businessmen and government officials in 160 countries worldwide. It will also be of particular interest to the 130,000 directors and managers in the U.K. who read the weekly FT. If you wish to reach this important audience with your services, expertise or products whilst maintaining a high profile in connection with Bristol

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Data source: BMRC Businessmail Survey 1990

FINANCIAL TIMES

EUROPE'S BUSINESS NEWS PAPER

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HOTEL CONRAD CANCUN Mexico	LE METROPOLE PALACE A CONRAD HOTEL Monte Carlo, Monaco	HOTEL CONRAD LONDON England
HOTEL CONRAD HONG KONG Hong Kong	HOTEL CONRAD YOGYAKARTA Indonesia (1993)	HOTEL CONRAD ISTANBUL Turkey (1992)

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## PARLIAMENTARY DIARY

## TODAY

Commons: Debate on the National Health Service. Consideration of Lords amendment to the British Technology Group Bill. Debate on financial and technical aid to developing countries in Asia and Latin America.

## Lords: Export and Investment

Guarantees Bill, third reading. Debate on political union in the European Community. Question to government on the British hall-marking system.

## TOMORROW

Commons: Lords Amendments to the Export and Investment Guarantees Bill.

## Witnesses: West Midlands

Regional Health Authority; Cambridge Health Authority (Room 19, 4.15pm). Both Houses will prorogue and the new session of Parliament will open on Thursday, October 31.

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October, 1991

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**ANNOUNCEMENT**

ABBAY GLOBAL INVESTMENT FUND hereby announces the following changes to the structure of its sub funds.

The STERLING FRED INTEREST FUND will be closed with effect from the 21st November 1991.

The INTERNATIONAL INCOME AND GROWTH FUND will change its name to THE INTERNATIONAL GROWTH FUND and change its investment objective accordingly with effect from the same date.

**COMMERCIAL PROPERTY**

Appears every Friday in the Financial Times. For advertising information, please call:

**Wai Fung Cheung**  
071 873 3596

**LEGAL NOTICES**

**HALES & SMITH LIMITED**  
(IN ADMINISTRATIVE RECEIVERSHIP)

Registered number: 577055  
Former company name: Vineyard Limited  
Trading name: David Samuel & Sons  
Nature of business: Designers/Artist/Graphic Designers and Printers  
Date of appointment of administrative receiver: 8 October 1991  
Name of person appointing the administrative receiver: National Westminster Bank Plc  
Brief title and name of person appointing the administrative receiver: Joint Administrative Receiver (Office holder No 2006 and 0629) at Messrs South White  
2 Nelson Street Southend-on-Sea SS1 1EF Essex

**£200,000,000 MFC Finance No.1 PLC**  
Mortgage Backed Floating Rate Notes Due October 2023  
In accordance with the Terms and Conditions of the Notes, notice is hereby given that the new interest rates and periods in respect of the subject Notes are as follows:-

Payment Date	Rate %	Payment Date	Rate %
Series A 1 October to 1 November 91	10.35	Series D 1 October to 1 November 91	10.35
Series B 1 October to 1 November 91	10.35	Series E 1 October to 1 November 91	10.35
Series C 1 October to 1 November 91	10.35	Series F 1 October to 1 November 91	10.35

October 21, 1991

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A row of seven detergent packages. From left to right: 1. OMO 4 kg, 'Wastatrice Meschirec' (Washing Machine), 'Washes whites and dyes' (Blanchit les blancs et les couleurs). 2. OMO 3 kg, 'RATTLING BUBBLES - VAPORISÉES BUBBLES' (Mousse effervescente). 3. OMO TAO 2 kg, 'Pulveriser recouvrement blanc' (Blanchit). 4. skip 5 kg, 'LA PROPRIÉTÉ À L'ÉTAT PUR' (La pureté à l'état pur). 5. skip 5 kg, 'SANS SE' (Sans se). 6. Presto 4.8 kg, 'LAVATRICE' (Washing Machine), 'Blanco Blanco, Colores Colores' (Blancs blancs, couleurs couleurs). 7. all 4 kg, 'TOUT EN UN' (Tout en un), 'BLANCHIT LES BLANCS ET COULEURS' (Blanchit les blancs et les couleurs).

The result was an inflexible high-cost structure which, Fitzgerald estimates, contained at least 50 per cent more production

**A second article on Unilever's food operations will be published next week.**

The new approach is already showing results. A concentrated dishwasher powder introduced in Germany as S Progress a year ago, is now available almost everywhere in Europe. Unilever also believes

The result was an inflexible high-cost structure which, Fitzgerald estimates, contained at least 50 per cent more produc-

A second article on Unilever's food operations will be published next week.

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## Training college

BIRSE CONSTRUCTION has been awarded a £14m contract by Cable and Wireless. The project comprises a telecommunications college, which will serve Cable and Wireless' operations worldwide including Mercury Communications in the UK.

It includes teaching and research wings, lecture rooms, library and exhibition area, student accommodation and a leisure centre complete with a 20 metre swimming pool, gymnasium and squash courts. The development, situated on Coventry's Westwood Business Park, is scheduled for completion in December 1992.

## Biology facility

J JARVIS & SONS has won contracts totalling over £20m. The largest is a £4.7m five-storey cell biology building at University College London for the Medical Research Council. It will have a steel frame with brick and stone cladding and a barrel vault roof. Fitting out work costing £3m has also started on two retail stores, while other work includes projects in Manchester and Newcastle upon Tyne.

## CONSTRUCTION CONTRACTS

### £55m housing developments

The LOVELL GROUP has recently negotiated £55m of new housing work, of which £35m will be carried out by Lovell Homes and £20m by Lovell Partnerships.

At Milton Keynes, Lovell Homes has joined forces with Wilcon Homes and Milton Keynes Housing Association to build 1,300 private and partnership homes on a 140 acre site to the east of the town. At current prices, the sales value

to Lovell of the private development is some £35m. The largest of the Lovell Partnerships contracts is a £9.4m 277 unit mixed tenure development at Highfields, Stafford, in partnership with Stafford Borough Council and Bradford & Northern Housing Association.

At Wheelers Lane, Hemel Hempstead, the same company is building 90 homes in a £4.7m design-and-build contract for

Paddington Churches Housing Association. In Shackleton Drive, Davenport, the company is involved in a £2.7m contract for 82 dwellings in partnership with Davenport District Council.

Other Lovell Partnerships schemes are at Rugby (38 homes), Walton-on-Thames (20), Harlow (22) and Macclesfield (9). The Rugby development is phase six of an £8.1m 302 unit project.

### Building supermarkets for Sainsbury

Two Sainsbury's supermarkets in Folkestone and Canterbury are among £20m worth of work awarded to WIMPEY CONSTRUCTION in the south of England.

The multi-million pound contracts will together provide the retail group with more than 90,000 sq ft of new retail space in the south.

Both developments have been designed along similar lines, using ornate brickwork and vertical tiled elevations to reflect local architecture and nearby buildings.

At Canterbury the supermarket will be located on a former landfill site. Major earthworks are already being carried out to make way for the 60,000 sq ft

development. When the store opens in summer 1992 it will provide a petrol filling station and parking for up to 800 cars in addition to the foodstore.

The Folkestone development, also due for completion in summer 1992, will create a retail outlet with car parking for 645 vehicles.

Elsewhere in the region, Wimpey has secured two further contracts - a Sainsbury's Homebase house and garden centre at Tunbridge Wells and a £3.25m contract to carry out fire damage repairs to the headquarters of Mercantile Group in Basingstoke.

The Homebase will be built on the same site as an existing

superstore in the royal spa town and has been designed to complement this development.

When completed in February next year the single-storey Homebase will have a sales area of 28,000 sq ft and share 736 car parking spaces with the neighbouring Sainsbury's superstore.

After a fire at the headquarters of Mercantile Group in Basingstoke last May, repairs are under way by Wimpey Construction Southern. Work includes curtain walling between floors seven and ten; replacement of fire barriers and fire protection to the steel frame; installation of air conditioning, computer flooring and redecoration to all floors.

### Land warfare exhibition centre scheme

The SDC CONSTRUCTION GROUP, Bedford, is building a land warfare exhibition centre for the Imperial War Museum among a £5m batch of new contracts.

The 52,000 sq ft building (£1.8m), alongside the M11 at Duxford, Cambridgeshire, will

feature a central walkway at first floor level from which visitors can look down on a series of battlefield tableaux.

Instead of a normal floor SDC will create reality with scattered rubble, dug-out slit trenches, shell craters and gun pits in the bare earth.

Other contracts include offices in Luton for Whitbread (£1.3m), store refurbishment for W.H. Smith in High Wycombe (£850,000), refurbishment work for Land Rover, Solihull and external works and landscaping at St John's College, Cambridge University.

### Eisteddfod pavilion scheme

The north west division of R M DOUGLAS CONSTRUCTION has won a package of orders in Wales worth more than £4m, including a contract to build the new permanent pavilion for the Llangollen Eisteddfod. The £2.6m pavilion will provide a permanent 3,000 seat arena with provision for a further 4,000 seat temporary arena for use during the festival. It also includes a two-storey, 20,000 sq ft community building for use by local residents all year round, incorporating a multi-purpose hall, a health suite with gymnasium and dance studio and a refreshment area.

Designed to blend traditional and modern materials, the pavilion features local stone and slate topped with a membrane structure roof to maintain the appearance of a tented field. Work has already started on the project which is due for completion in July next year, in time for the opening of the 1992 Eisteddfod.

The package also includes three advance units in Wrexham for the Welsh Development Agency, providing a total of 90,000 sq ft.

### Milford bypass

A £7.9m contract to build a dual two-lane A3 bypass of Milford in Surrey has been awarded to COSTAIN CIVIL ENGINEERING. The new 2.9km road will pass to the west of Milford, leaving the existing A3 at Eashing and rejoining it at Rodborough Hill.

### Treasury chief at McCain

McCain FOODS GROUP has appointed Ms Virginia Featherstone-Witty as European treasury liaison executive.

Based in London and reporting directly to the chief financial officer, Ms Featherstone-Witty will be responsible for co-ordinating European treasury functions, including cash management and foreign exchange. She has previously held posts with Chase Manhattan Bank and Chemical Bank of New York.

Mr Charles Richardson has been appointed as a director of COUNTRY NATWEST INVESTMENT MANAGEMENT, where he will be responsible for UK stock selection processes and the UK equities team.

Mr Philip Fletcher has been appointed managing director of ROWE EVANS INVESTMENTS, the Indonesian oil palm and rubber producing group.



NATIONAL WESTMINSTER BANK has appointed Mr Paul Kilduff (pictured) to the new position of head of group strategy. He was a director of Sealink from 1988 and was previously with Lombard, Grand Metropolitan and BTZ.

Mr John Matthews has been appointed managing director and chief executive at FINANCIERE INDOSUEZ, London, the UK arm of Banque Indosuez specialist mergers and acquisitions subsidiary. He will be responsible for developing activities in the UK, particularly in the field of cross-border mergers and acquisitions. Mr Matthews is a former deputy chairman and deputy chief executive of Beazer, and prior to joining the group in 1988 was a managing director, corporate finance, at County NatWest.

ANDREW WEIR SHIPPING has announced five new directorships following the successful acquisition of the former Ellerman Lines. Mr Anthony Cooke, Mr Geoffrey Smith, Mr Bob Moss, Mr Michael Parker and Mr Keith Sessions are joining the board.

EMPLOYERS REASSURANCE has appointed Mr Stephen Wood as chief actuary, with effect from December 1.

## CZECHOSLOVAKIA

The FT proposes to publish this survey on November 7 1991.

54% of Chief Executives of Europe's largest companies read the FT. If you want to reach this important audience by advertising in this survey, call

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FT SURVEYS

## TRADE FAIRS, EXHIBITIONS & CONFERENCES

### OCTOBER 22

#### DOING BUSINESS IN GERMANY

A comprehensive guide to corporate strategy. Sponsored by Coopers & Lybrand Europe and Carre, Orban & Partners. Covering the strategic legal, M&A, accounting and personnel differences when compared to the UK. Contact: FIBEX TEL: 071 489 9944 Fax: 071 236 6140 LONDON

### OCTOBER 24

Preparing for the Upturn. Lloyds Bank/ECGD/International Factors. How to make the best of opportunities to come by improving liquidity, securing prompt payments from buyers overseas and at home, managing increasing sales. Venue: Edinburgh Chamber of Commerce, from 11.30 to 14.00. Free of charge. EDINBURGH

### OCTOBER 30

Activity Based Cost Management: The Direction For Financial Services in the 90's. CBIDEVELIN & PARTNERS CONFERENCE. Centre Point, London. Contact: Sandra Aldred CBIDEVELIN & PARTNERS. Tel: 071 579 7400 Fax: 071 497 3646 LONDON

### OCTOBER 30

ENVIRONMENTAL LIABILITY - CAN YOU COPE? SJBW & CO. Environmental liability - company directors and managers responsible for environmental damage. Contact: SJBW & CO. Tel: 071 280 044 Fax: 071 490 024 LONDON

### OCTOBER 31 - NOVEMBER 1

World Mobile Communications. Examiners market, technical and regulatory issues as well as the challenge to develop a mass market personal communications system. Enquiries: Financial Times Conference Organisation. Tel: 071 925 2323 Fax: 071 925 2125 LONDON

### OCT 31 - NOV 1

Operations and Settlement Strategy for the 1990's. A two-day conference for funds, investment managers and brokers keen to exploit back office cost savings and profit opportunities. Contact: Kase Bankers. The Conference Consultancy. Tel: 0932 820802 LONDON

### NOVEMBER 4

MAKING IT STRATEGY SUCCEED. Drawing on the lessons of highly experienced IT directors the conference explores the success factors and key problems associated with developing IT strategies which generate business benefits. Contact: Business Intelligence. Tel: 081 944 1591 Fax: 081 944 0332 LONDON

### NOVEMBER 4/5

The new agenda and institutions of European Security Policy. Expert seminar - limited places available. Who will be taking decisions on European defence in 5-10 years' time? Of interest to those in monitoring developments in defence. Contact: Judy Keop, Federal Trust. Tel: 071 259 9990. LONDON

### NOVEMBER 5

TRADING WITH AND INVESTING IN TURKEY. Speakers from Turkish and U.K. Governments, banks and private sector will introduce the advantages of this rapidly developing market and provide General Election update. Contact: Richard Kemp 051 708 5999 NORTH WEST

### NOVEMBER 5

WORKING WITH VDU EQUIPMENT. A seminar where expert speakers examine the implications of the EC Directive on workplace practices, health and safety, eye and eyesight testing, screen design and office furniture and lighting. Contact: Peter Russell or Diana Morgan. Tel: 081 467 2536 Fax: 081 467 7258 LONDON

### NOVEMBER 5

PREPARING FOR THE UPTURN. Lloyds Bank/ECGD/International Factors. How to make the best of opportunities to come by improving liquidity, securing prompt payments from buyers overseas and at home, managing increasing sales. Venue: Park Row from 11.30 to 14.00. Free of charge. Contact: John Vaughan. Tel: 0602 470999. NOTTINGHAM

### NOVEMBER 5-7

TCSD 91. The Temperature Controlled Storage and Distribution Exhibition - and "Food Transport in the 90's" Conference. G-MEX, Manchester. Contact: Lorraine Rogers FMI International Publications Ltd. Tel: (0737) 768611 Fax: (0737) 761685. MANCHESTER

### NOVEMBER 6

Survival 3rd Annual Conference. The 1991 New Oxford Street, London WC1A 1DU commencing 9.30 am. Sponsored jointly by International Insurance brokers, Alexander Shustone UK Ltd and Alexander Shustone Reinsurance Brokers Ltd. (Deals T L May CBE. Tel: 071 421 9990) LONDON

### NOVEMBER 6

PREPARING FOR THE UPTURN. Lloyds Bank/ECGD/International Factors. How to make the best of opportunities to come by improving liquidity, securing prompt payments from buyers overseas and at home, managing increasing sales. Venue: Edmund Street from 11.30 to 14.00. Free of charge. Contact: Mark Bohannan. Tel: 021 236 5808. BIRMINGHAM

### NOVEMBER 6 & 7

The Emerging European Tax System. Keynote speaker will include Mrs Christine Sorvener, Mrs Gillian Shepherd, MP and Mr Martin van Amelsvoort. Enquiries: Financial Times Conference Organisation. Tel: 071 925 2323 Fax: 071 925 2125 LONDON

### NOVEMBER 6 & 7

Managing the Global Enterprise. A combination of speeches and workshops on the new anatomy of management, the issues that determine corporate success in managing the global business. A Conference Board Europe meeting. Contact: Jane Campbell. Tel: 322 640 6240 Fax: 322 640 6735 BERLIN

### NOVEMBER 7

The Practical Implications of the Proposed European Eco-labelling Scheme. An international panel of experts will update you on the latest Migrant research. Includes talks from Glaxo on Sumatriptan, Lehman Brothers on the Commercial Implications of new Drug Development. Contact: Stephanie Holder. Tel: 071 412 0441 LONDON

### NOVEMBER 7 & 8

Finance, Investment and Trade with Czechoslovakia. To review political and economic developments, opportunities for investment and business. Ministers speaking: Dr Vladimir Dlouhy, Dr Václav Klaus, Ing Jaroslav Jurecka and Ing Ivan Miklos. Tel: 071 925 2323 Fax: 071 925 2125 PRAGUE

### NOVEMBER 11

W.D. GANN - Breakthrough Trading (Stocks, Options and Commodities) Seminar with the World's leading Authority on works of W.D. GANN - David Bowen. An analyst who forecasts with uncanny accuracy. Contact: Stewart D. Thallon. For free information pack. Tel: 0728 734113 Fax: 0728 73656 LONDON

### NOVEMBER 11

CORPORATE TAX PLANNING FOR OPERATIONS IN EUROPE. A one day course which deals with international tax as it affects UK groups of companies which have, or are considering, European operations. Contact: Quorum Training Ltd. Telephone: 071 388 2044 LONDON

### NOVEMBER 11

Doing Business in Eastern Europe: An Insurance Perspective at CBI Conference Centre, Centre Point, 102 New Oxford Street, London WC1A 1DU commencing 9.30 am. Sponsored jointly by International Insurance brokers, Alexander Shustone UK Ltd and Alexander Shustone Reinsurance Brokers Ltd. (Deals T L May CBE. Tel: 071 421 9990) LONDON

### NOVEMBER 12

Outsourcing I.T. A Critical Assessment. The conference is specifically designed to help senior IT and business managers assess the potential value of outsourcing to their organisations and identify the factors which contribute to the successful selection and management of such arrangements. Contact: Business Intelligence. Tel: 081 944 1591. Fax: 081 944 0332 LONDON

### NOVEMBER 12 & 13

International Conference on Information Technology in the Workplace. Institution of Electrical Engineers. The effects of Information Technology (IT) on the individual at the workplace will be demonstrated and discussed as will the costs and benefits of IT applications at the organisational level. Enquiries to: Jo Gordon Conference Services, IEE Tel: 071 240 1871. Fax: 071 240 7735 LONDON

### NOVEMBER 14

New Developments in I.T. for the Energy Industries. Contact: Caroline Little, The Institute of Petroleum. Tel: 071 636 1004 LONDON

### NOVEMBER 19

Recent Developments in Headache and Migraine Management. An international panel of experts will update you on the latest Migrant research. Includes talks from Glaxo on Sumatriptan, Lehman Brothers on the Commercial Implications of new Drug Development. Contact: Stephanie Holder. Tel: 071 412 0441 LONDON

### NOVEMBER 19

RISKS IN RANKING - RECOGNITION AND CONTROL. Contributors include: Geoffrey Bell, Jules Kroll, Brian Quinn, Wolfgang Rucke, Brian Sweeney, Spencer Crymmon, Toveche Ross, Wall Street Journal Europe and S J Bervila. Contact: Marc Lee Tel: (0225) 466744 Fax: (0225) 442903 LONDON

### NOVEMBER 19

RECESSION AND RECOVERY: THE UK Economy in the 1990's. THE HENLEY CENTRE. How rapid will the recovery be and how well positioned is the UK for the competitive challenges of the 1990's? Contact: Jacqui Goss Tel: 071 353 9961 Fax: 071 353 2899 LONDON

### NOVEMBER 19 & 20

FINANCIAL SKILLS FOR THE FROTHY MOTIVATED MANAGER. Practical, in-depth knowledge for non-financial executives. A two-day course enabling you to implement financial and accounting techniques and enhance your profitability. Contact: FIBEX. Tel: 071 489 9944 Fax: 071 236 6140 LONDON

### NOVEMBER 20 & 21

1991 National Conference on Integrated Pollution Control for the Process Industries. The economic realities of IPC regulations - the pitfalls vs the potentials. Cleverest environmentalists? Contributions across the board from government and regulatory authorities to environmentalists and leaders in the industry. Contact: Stephanie Holder. IIR Scientific & Technical Division. 071 412 0141 LONDON

### NOVEMBER 21

Is There a Future For The Independents in the UK North Sea? Contact: Caroline Little, The Institute of Petroleum. Tel: 071 636 1004 LONDON

### NOVEMBER 25 & 26

IT OUTSOURCING AND FACILITIES MANAGEMENT. A review of IT Outsourcing and Facilities management in the 1990's by some of the leading experts in the marketplace. Conference Organisers: Contact: Stephanie Holder, IIR Scientific & Technical Division. 071 412 0141 LONDON

### NOVEMBER 26

SAFETY STANDBY VESSELS. The New Requirements. Contact: Caroline Little, The Institute of Petroleum. Tel: 071 636 1004 LONDON

### NOVEMBER 26 & 27

Managing Financial Risk. This workshop is an interactive, practical course aimed at those who wish to understand the principles and practices of financial risk management. Enquiries: Financial Times Conference Organisation. Tel: 071 925 2323 Fax: 071 925 2125 LONDON

### NOVEMBER 28

ACTIVITY BASED COSTING. A one-day course at LSE intended for people who wish to consider overhead control. Organiser: Dr Miles Gietzmann. Contact: Nicola Meakin. Short Courses Office, LSE. Tel: 071 955 7227. LONDON

### NOVEMBER 28

ACQUIRING IN FRANCE. A comprehensive guide to the M&A differences when compared to the UK. Sponsored by: Coopers & Lybrand Europe, Slaughter and May, Solicitors. Covered include the strategic, valuation, legal, financial and accounting issues. Contact: FIBEX. Tel: 071 489 9944 Fax: 071 236 6140 LONDON

### NOVEMBER 28

LIFE AFTER THE RECESSION. One day conference on maximising company performance during economic recovery. At Warwick Farm Hotel, near Warwick Airport, presented by Price Waterhouse and Raynolds & Butler. Guest speakers include John Bankam, Director-General of the CBI. Contact: Brian Quinn Price Waterhouse. Tel: 0737 766300 LONDON

### NOVEMBER 28 & 29

KNOW YOUR COMPETITORS. Computer Intelligence & Analysis. Café Royal, 68 Regent Street, London W1R 6EL. Contact: Patricia Dounand. EMP Intelligence Service. Tel: 071 487 5665 Fax: 071 935 1640 LONDON

### NOVEMBER 28 & 29

Doing Business in the European Union - Europe in 1996. Perspective provided by senior practitioners, will look at issues relating to politics, economy, environment, human resources, finance, consumers and technology in five year's time - the first of an annual series. Contact: Robin Pedler, Templeton College. Tel: 0665 735422 OXFORD

### DECEMBER 2 & 3

The 6th International Energy Conference. Energy Policy: market led or government-driven? Covered by The Royal Institute of International Affairs, The British Institute of Energy Economics and the International Association for Energy Economics. To be held at Chatham House, London. Enquiries: RIIA Conference. Tel: 071 957 5700 Fax: 071 957 5710 LONDON

### DECEMBER 2-4

ASSETIVENESS TRAINING FOR WOMEN IN BUSINESS. This seminar is designed to provide professional women with the skills and confidence necessary to operate up to their full potential. Speaker: Dorothy Leeds. Contact: Customer Services, Frost & Sullivan Ltd. Tel: 071 730 3438. Fax: 071 730 3343. Quote Ref: 7721. LONDON

### DECEMBER 4 & 5

World Telecommunications. The FT's annual conference reviews three interwoven trends changing the shape of the world telecommunications industry - privatisation, deregulation and globalisation. Enquiries: Financial Times Conference Organisation. Tel: 071 925 2323 Fax: 071 925 2125 LONDON

### DECEMBER 9

Shareholder Value Creation - A Priority for the Future. This one day course will show how Shareholder Value Analysis allows a company to identify opportunities to improve the economic performance of its individual businesses and to manage the processes by which they can be achieved. Contact: Quorum Training Ltd. Tel: 071 388 2044. LONDON

### DECEMBER 3

DECENTRALISING IT SERVICES. The Conference assesses different approaches to decentralising the provision of IT services and examines the problems and issues involved, including eliciting IT organisation with business strategy, and the need for new management processes and working practices. Contact: Business Intelligence. Tel: 071 489 9944 Fax: 071 236 6140 LONDON

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ACQUIRING IN SPAIN. A comprehensive guide to the M&A differences when compared to the UK. Sponsored by: Coopers & Lybrand Europe. Subjects covered include the strategic, valuation, legal, financial and accounting issues. Contact: FIBEX. Tel: 071 489 9944 Fax: 071 236 6140 LONDON

### JANUARY 21 & 22

Rheumatoid Arthritis - Present Status, Future Solutions. Updates on the origins, aetiology, pathogenesis, methods of studying and treatment of this important disease. Talks include prospects for Anti-Inflammatory treatment and an overall view of drug therapy. Contact: Stephanie Holder, IIR Scientific & Technical Division. 071 412 0141 LONDON

### OVERSEAS

#### OCTOBER 21-25

Environmentally Sound Energy Technologies. Conferences and European economic in transition. This is a most important meeting in view of the world Conference on Climate-Rio de Janeiro June 1992. For further information please contact: Organising Secretariat, Milan-Italy Tel: 02 723252 MILAN

### OCTOBER 29

Investment in the New States of Germany. Strategic implementation of direct investment. At the US & Int'l Investors' Government Subsidies & Tax Incentives Seminar leads on to direct & concrete investment discussions with the authorities (Treasury, Ministry of Finance, Ministry of Economic Affairs, Ministry of Foreign Affairs). Contact: FFI O'Neill, The American Tax Institute in Europe. Tel: 071 935 7502 Fax: 071 935 6951 LEIPZIG

### OCTOBER 30 & 31

COMPETITIVE INTELLIGENCE. Objectives, Systems, Techniques and Applications. Seminar presented by Erik Tyson, author of Competitor Intelligence (Harvard Business Review). British and French managers working in France. Contact: Elizabeth Cherdal. Tel: (41) 22 788 2751 Fax: (41) 227 788 2726 ZURICH

### NOVEMBER 6-7

Second International Conference on the automotive industry and the environment. Presenting the latest developments in Traffic Policies & Management; Automotive Materials; Fuels & Emissions & Strategic Management. 30 international speakers will identify ways to integrate legitimate environmental concerns. Contact: Stephanie Holder. IIR Scientific & Technical Division. 071 412 0141 LONDON

### NOVEMBER 6 & 7

How to Implement the Activity Based Costing Management in Your Company. Stephen Doherty expert in ABC, will present the most important case studies of various multinational, Alcatel, Bull & University of Heriot will complete this practical Conference. Contact: Ms. Buzon, IIR SPAIN. Tel: 34 91 531 98 07. Fax: 34 91 531 98 06. MADRID

### NOVEMBER 6-8



ARTS

ARCHITECTURE

# Create a place, not a pile of houses

Colin Amery decries 'Edge City' and welcomes plans for Poundbury

ANYONE driving around Dorset can see the spread of sprawling suburbs around our county town. Government reference to road building has led to the phenomenon of different in-fill between the new by-pass and the town and the spread of the out-of-town shopping development on land set over by motorways. In the US, a new term has already been coined for this kind of development - "Edge City". The characteristics of this development, in the opinion of the author, are: the suburb and the mall are widely spaced offices, shops, garages, houses and drive-in eateries, all spread amongst a thin layer of neglected greenery.

Britain, with its complex and sometimes crazy planning system, has avoided the worst of that sort of commercial sprawl. But a penchant for suburbia, and for making every street wide enough to turn a fire engine, has led to the soulless, repetitive housing estates that are so distressingly familiar. Much of Britain's post-war development has been ruined by well intentioned regulations or by the kind of architectural arrogance that created tower blocks that can damage your head. Planning has also encouraged a way of thinking that wants to separate everything. Living, working, playing and learning are all to be followed in different places - despite the fact that we really do not choose to live that way.

I was impressed some years ago with a simple diagram by the urban theorist Leon Krier. He showed a slice of fruit cake with a mouth watering selection of every kind of fruit in the one slice. He then showed the ingredients spread separately in little individual heaps. There was no doubt about which arrangement was the most appetising and desirable. It is the same with towns. They work and look better when they are quite densely planned and have urban, rather than suburban qualities. And so to Dorchester where the denizens of the town wanted to expand it by building on land to the west. This land, known as Poundbury, belongs to the Duchy of Cornwall. The Duke of Cornwall is not known for having views about the way his Duchy should look, and he has become very well known as Prince of Wales for his views on the nature and appearance of his future kingdom.

Last week the Duchy of Cornwall submitted a detailed planning application for the first 18 acres of its scheme for development of Poundbury.

This comes some two years after the announcement at a large public meeting in Dorchester of a masterplan for the development prepared by Leon Krier. The combination of the ideas of this great theorist, who is an ardent campaigner for the re-urbanisation of cities in Europe, and the fervour for environmental improvement manifested by HRH The Prince of Wales, promises well.

When it comes to development, owning the land always helps, but was there a danger that the Duchy of Cornwall's special Treasury procedures and a certain lingering feudalism could scotch innovation? Two important factors have ensured that this will not happen.

Throughout the last two years West Dorset planners and architects have been enthusiastic supporters of changes that will allow experiment, and enable Poundbury to be a model for other new developments. The Duchy has also wisely formed a distinguished development team masterminded by Andrew Hamilton (who developed Richmond Riverside), and Alan Baxter and Associates as consulting engineers.

The most appropriate comment was made last week as the plans for the first phase were announced in Dorset was from the West Dorset county architect, David Oliver: "Architects for the past 40 years have done nothing but destroy much of the landscape by putting up buildings that are alien. We are creating a place, not just a pile of houses." It is place making that is the most difficult thing to achieve. But if the perspectives and artists' impressions that are on view in the current exhibition of plans in Dorchester are anything to go by, Poundbury is going to be pleasing, familiar, and in the Dorset style.

It is probably misleading to judge Poundbury entirely by these imaginary views. But the important new elements are clear from the plan and have been fought for very hard. Most important is the road pattern, which ends once and for all the suburban tyranny of the road engineer.

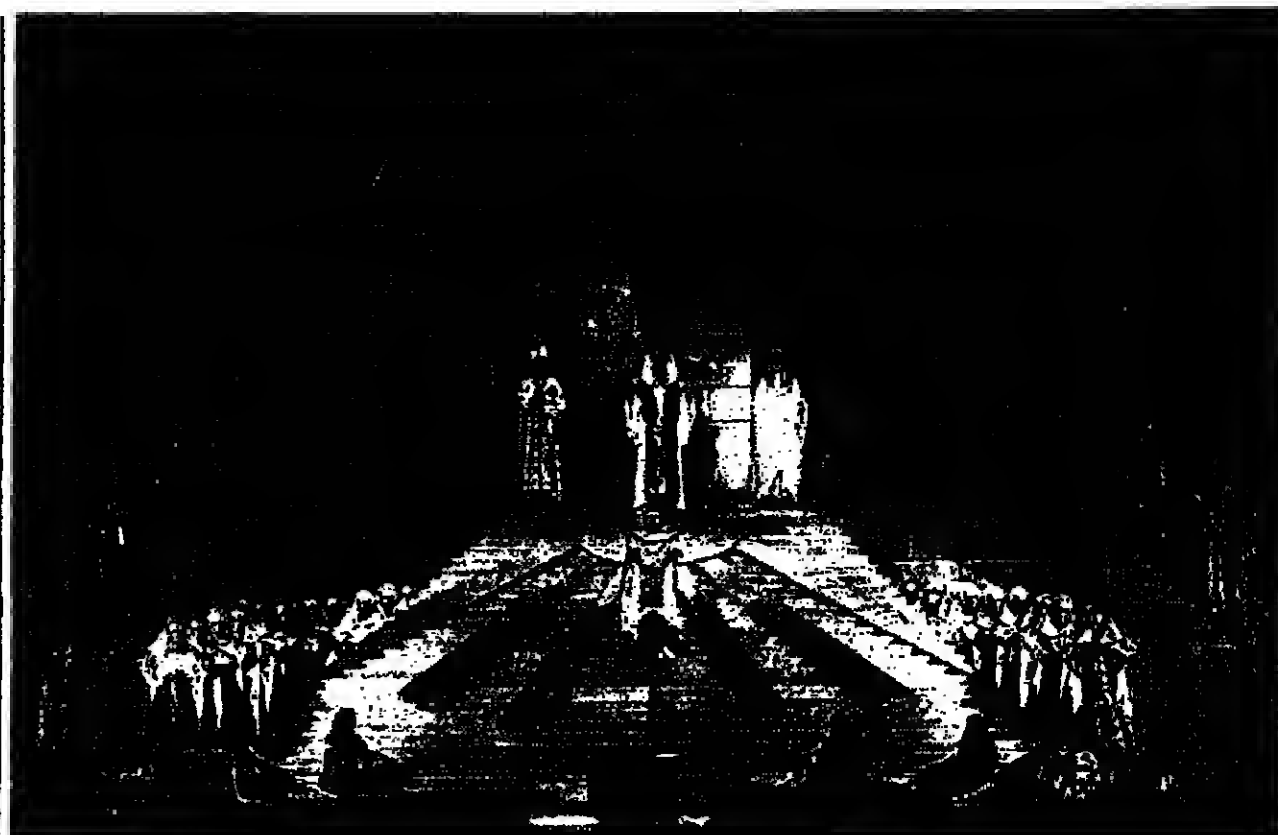
Mixed development is the key to Poundbury, although in the revised proposals the scheme has responded to public pressure and made sure that workshops and houses are not such close neighbours as they were. The density of some 15 dwellings to the acre is likely to be achieved with parked cars hidden for the most part in courtyards. Every house has a garden and all services can be brought in to the rear of the houses rather than under front pavements. All buildings will have to be

"green" and pass the Government's new environmental standards test. One fifth of all the new houses (there are 244 houses in the first phase) will be low cost and will be provided by housing associations, with the Guinness Trust being the first to be signed up.

Control over design is a delicate business. A panel will continue to review all aspects of the design after the Duchy has sold the plots. Some detailed design packages will be sold, like the market hall by John Simpson and the offices by Demetri Porphyrios. Leon Krier's landmark tower will be built by the Duchy using masonry trainees from the Prince of Wales's Summer School. While the style of the new town is expected to be vernacular, it is perfectly possible for any man to be built as long as it follows the principles of the design guidelines.

Assuming planning permission is granted, work could begin the middle of next year. The ideas will only be proven by the actual building, but the transformation of basic planning ideas achieved by Krier, his clients and the planners is already a very promising start.

Colin Amery is a member of the Duchy of Cornwall Commercial Property and Development Committee.



Aida, in Vittorio Rossi's production, which was first shown at Earl's Court in 1988

## Aida

NATIONAL INDOOR ARENA, BIRMINGHAM

OPERATIC gigantomania arrives in Birmingham. For its very first artistic event the brand-new National Indoor Arena is playing host to the performances of *Aida* in the production by Vittorio Rossi first shown at Earl's Court in 1988. The venue, capable of seating 13,000, is efficiently designed, well-equipped; on Saturday, the citizens of Birmingham turned up in decent numbers, and a good time seemed to be had by many of them. Including a sizeable number who (from the evidence of the applause) were attending their first-ever opera.

One wishes them, and the venture, well. In staging terms, this is undeniably a spectacular, cast-of-hundreds show; but in truth its vocabulary of action is very rudimentary and in any case, is this sort of spectacle really apt to *Aida*? The basic set, a monumental stepped ramp with quickly-

moveable columns, allows platoons to march up and down in variable formation (not absolutely tidy at this opening performance), while glittering gold banners, head-dresses and shields are arranged and rearranged to catch the light.

In the opera's public scenes, what with pink-clad ladies waving feather-fans, and all sorts of other props and diversions arriving and departing on schedule, the mixture of Royal Tournament and London Palladium showbiz techniques is neatly achieved, and carries its own appeal. But the same small handful of knock-em-dead risks have to be worked over and over again; and in any case, the truth about *Aida* is that by far the larger number of its scenes deal with intimate confrontation between carefully defined and distinguished leading characters.

In this sense, the Rossi staging is centrally inert. The emo-

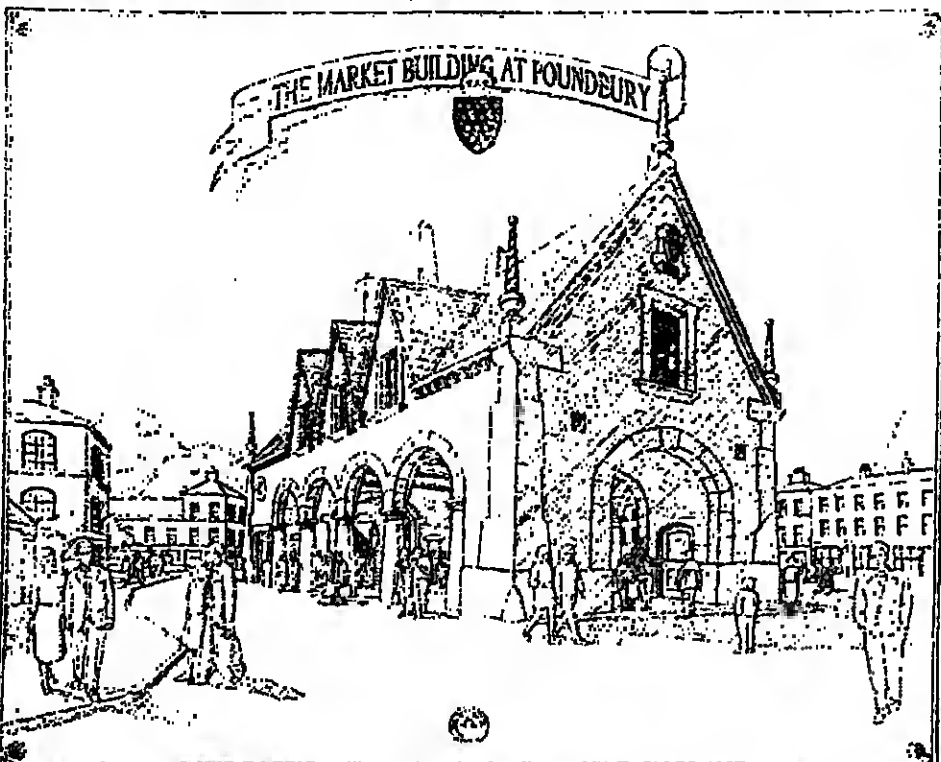
tional drama unfolds a great distance away from most people's seats, and it does so entirely by means of colour-coding (Aida in blue, Amneris in gold, and so on), semaphores and clichéd routine. The dependence on the power of the music relayed via amplification which from my seat seemed much constrained in power and directionality is far greater than in an ordinary opera-house *Aida*. For the most part the musical performance did the opera small justice.

The choral singing passed muster, just about; the orchestral playing by a scratch group called the National Symphony Orchestra was often woefully inaccurate, ill-tuned, threadbare. Yuri Simonov, the distinguished former Bolshoi conductor, seemed on this showing a Verdian either defeated by the vagaries of his forces or else a victim of very limited stylistic understanding.

Saturday's principals the casts vary for the ten evenings were all veterans of the international operatic scene; the long experience of the Amneris Bruno Baglioni, appears not to have taught her how to sing consistently in tune or in time.

The best things about the performance were the still strong, dignified, unaffectedly expressive Radames of Carlo Cosutta and the commandingly eloquent Aida of Grace Burnby, who sounded in fresher voice (apart from her struggles with an elusive top C) than for many a long year. I hope those Brummies who derived pleasure from this *Aida* will one day be permitted the opportunity of encountering a "real" production, fully worked, fully alive to the work's many qualities and possibilities. They really will be knocked dead.

Max Loppert



John Simpson's design for Poundbury's market hall

## Luther Vandross

MADISON SQUARE GARDEN, NEW YORK

THIS has been the time to be in New York like a king. Like Prince. Like Michael Jackson. Like Madonna. Like Luther Vandross. The Blue Note, Mel Tormé at Michael's Pub, and in considerably less intimate surroundings, Luther Vandross at Madison Square Garden.

Millions of dollars have been spent on refurbishing the Garden, but even on a glitzy night like this no amount of pastel paint can disguise its true identity as a sports arena. A more appropriate venue for enjoying a voice as scintillating as Vandross's would be hard to find, but the Garden is the kind of place that the singer likes to take his show.

And what a show. With its grandiose stage, Hollywood staircase, glamorous backing singers, and enough sequinned costumes to satisfy a Las Vegas crowd at Christmas, Vandross serves up entertainment with a capital E. Fortunately, he has

a talent that transcends hangar-like surroundings and tacky routines.

From a weighty baritone to a gossamer tenor, Vandross's voice has a luxurious quality unmatched in contemporary soul or pop music. The light show, the stage, the songs, even the sequins were outdone by the voice.

Typical of the Vandross style is his habit of taking a word or a simple phrase and making a song of it. In one of his most popular ballads, "Superstar", he picked up the line "Loneliness, take it from me, is such a sad affair," stretched it out with his warm tones and rich, autumnal colours, and slowly teased an aching sense of loss from each word. After his voice had descended back to earth, the silence was filled by the sound of 5,000 women exclaiming in a long, shared sigh.

The show lost its way on the uptempo numbers. The brisk funk-soul of Vandross's studio recordings gave way to a heavy-handed, plodding thump that crushed the life from the normally bouncy "Never Too Much" and the high-stepping "Give me the Reason".

Happily, the heart of the performance was devoted to the love songs. No-one could have bettered a volcanic reading of the Bacharach and David classic "A House Is Not a Home", where band-leader Nat Adderley's spacious arrangement gave the singer all the room he needed.

Stepping a pace back from the microphone, the giant Vandross opened his lungs, filled every corner of the hall with sumptuous sound, and brought the house down.

Patrick Harverson

## Masur and the New York Phil

AVERY FISHER HALL, NEW YORK

Kurt Masur, the new music director of the New York Philharmonic, has conducted three programmes so far this season, each of them four times for subscription audiences (and two big works from them, Bruckner's Seventh Symphony and *Peer Gynt*, for a fifth time at children's concerts).

His first concert was neither here nor there. It began with some slight American music - John Adams's *Tromba Lontana* and Shostakovich's *First Piano Concerto* - and the second set of Copland's Old American Songs (very well sung by Thomas Hampson) - which seemed dangerously like "token representation." Later in the season Masur conducts Barber's *Sello Concerto* and Shostakovich's *Fourth Piano Concerto*, neither of them exactly challenging American compositions. But Masur has said that he would like to conduct Elliott Carter and Roger Sessions. This season was largely planned before he took over, next season will carry his stamp and show his tastes more clearly.

The Bruckner 7 that ended the concert was decent but

unremarkable; Masur was the sound, rather heavy Kapellmeister that Andrew Clements had described in these pages the week before when with his other orchestra, the Leipzig Gewandhaus, he conducted a Beethoven cycle in Birmingham. It was the second concert that set people talking. Grieg's *Peer Gynt* is a Masur speciality; with the Gewandhaus he has recorded the same concert version, threaded with a narrator who plays *Peer* in the melodrama. His theatre years - four of them as Felsenstein's conductor - tell I didn't know that Grieg's score - especially the awesome encounter with the Boyg - could be so dramatic.

The Philharmonic sounds like a new orchestra. We know that it was an assemblage of first-rate players, but in the Mehta years its playing became hard, uncommitted, undevoted. People - by which I mean the musical people I know - just stopped going. I went only when those were some new work that called for review. But now people are going to the Philharmonic again. For Mitropoulos it once

played with fire, for Boulez with accuracy, and for Bernstein with warmth. But not since its concerts under Bruno Walter - a long time ago - have I heard it play with such delicacy, such care, such love. Morale is high.

I am writing this in the glow of the third concert: Schnittke's First Cello Concerto, with that marvellous player Natalia Gutman, for whom it was composed, as soloist, and the "New World" Symphony. A wonderfully exhilarating "New World" the night before, the Bamberg Symphony, conducted by Christoph Eschenbach, had played the "New World" in the same hall. They gave a finicky performance and also an absurd one, because the brasses and the drums kept drowning the strings. The Philharmonic performance flowed with plenty of rubato but no finickiness, with warmth and colour that gave delight. Masur let the orchestra play, and play they did - but he was with them, shaping and balancing.

Avery Fisher Hall used to sound acoustically brutal. Masur took simple steps: he

tered the orchestra; he moved the double-basses from their top-sided station on the right to form a firm foundation along the back; he pulled the brasses away from the reflecting walls, and they no longer glare and glare. He placed diffusing screens down the sides of the platform, and now we get balanced sound, not full-frontal assault. (Bamberg stuck to the old arrangement, with deplorable result.) In the Philharmonic's new glory, physical factors and the crack players' response to a musician they admire and helped to choose conspire.

New York's musical conservatism defeated Mahler, and it defeated Boulez. With Masur, a new Philharmonic round begins. His remaining programmes this season are largely conservative: Mozart's last three symphonies, the Eroica, Brahms 2, Mahler 1, Bruckner 8, the Sibelius Violin Concerto (with Nigg as soloist). But perhaps with them he will win a trusting audience that doesn't stomp out when he conducts Sessions, Carter, Rabbitt, Wozniak.

Andrew Porter

## INTERNATIONAL ARTS GUIDE TODAY'S EVENTS

### BERLIN

**MUSIC**  
Staatoper unter den Linden 19.30 Fabio Luisi conducts Il barbiere di Siviglia. Tomorrow and Fri: Falstaff. Thurs: The Taming of the Shrew, ballet by John Cranko. Thurs: Il trovatore. Sat: Ariadne auf Naxos. Sun: Die Meistersinger von Nürnberg (East Berlin 2004 762).  
Komische Oper 19.00 Rolf Rauter conducts Harry Kupfer's production of Die Entführung aus dem Serail. Tomorrow: Die schwelgere Frau. Thurs: Der Freischütz. Fri: Georg Kitzler's new opera, Sat: Cav and Pag. Sun: Le nozze di Figaro (East Berlin 2292 555).  
Deutsche Oper 19.30 Franz Walser-Möser conducts Götz Friedrich's production of Aida, with a cast including Galina Kallina, Leo Nucci and Giorgio Lamberti, also Sat. Tomorrow and Fri: Die Zauberflöte. Wed: Tosca. Thurs: Liza Minnelli in concert. Sun: Lohengrin (West Berlin 3410 249).  
Schauspielhaus 19.30 Irina Troupova and the Berliner Consort in a programme of songs by John Dowland, William Byrd and William Brindley Shelly (East Berlin 2221 261).  
**THEATRE**

East Berlin: this week's repertoire at the Berliner Ensemble includes Galileo Galilei tomorrow, The Caucasian Chalk Circle on Sat and The Good Person of Sezechuan on Sun (2287 712). The Deutsches Theater has Innesco's The Bad Prime Donna on Thurs and Peer Gynt on Fri (2871 225), with a new single-evening adaptation of Shakespeare's Henry VI at the Kammeroper (East Berlin 2871 226).  
West Berlin: the Schaubühne has Kleist's Amphitryon tomorrow and Wed, with a new production of Arthur Schnitzler's The Lonely Road (1904) on Thurs, Sat and Sun (890023). The Schiller Theater repertoire includes Lessing's Minna von Barnhelm tonight, tomorrow and Sun, and Goethe's Faust Part One on Sat (3195 236). The Renaissance Theater has Peter Shaffer's Amadeus directed by Gerhard Klingenberg, daily till Oct 29 (3124 202).

### BUDAPEST

This week's events at the Academy of Music include a programme of string quartets played by the Bartok Quartet tonight and two gala concerts (tomorrow and Wed) marking the 180th anniversary of the birth of Liszt. In the first, Ken-ichiro Kobayashi conducts the Hungarian State Symphony Orchestra and the Army Male Choir, and the second is conducted by Adam Medveczky, with the Budapest Philharmonic Society Orchestra and the Hungarian State Chorus. The State Opera has performances of Erkel's patriotic opera Bank ban tomorrow, Britten's Albert Herring on Thurs and Così fan tutte on Sun. The Erkel Theatre

has Hungarian-language performances of Madame Butterfly tomorrow and La Gioconda on Thurs. Pre-booking at Philharmonic booking office, Vorotarsky ter 1, and the theatre booking office, Andrássy ut 18.

### GLASGOW

This week's events at the Royal Concert Hall include Trevor Pinnock and the English Chamber in a baroque programme tonight, the Scottish Chamber Orchestra in a Mozart programme conducted by Charles Mackerras on Fri and the Royal Scottish Orchestra conducted by Neeme Järvi on Sat (041 227 551). Scottish Opera presents its new production of Die Walküre at the Theatre Royal on Thurs (041 332 9000).

### THE HAGUE

Dr Anton Philipsz 20.15 David Porcellijn conducts the Ensemble in works by Pierre Boulez, Magnus Lindberg and others. Wed: Schoenberg Ensemble plays music by Mahler and Wolfgang Rihm, with Anne Gjevang contralto. Fri: Alexey Lyubimov plays Mozart's Piano Concerto No 27 with the Collegium Europae. Sat and Sun: Residentia Orchestra plays Rakhmaninov, Dvorak and Smetana (3609 810).

### LONDON

Royal Festival Hall 19.30 Mohammed Reza Shajarian gives a concert of Iranian classical music. Tomorrow: The Michael Nyman Band. Wed: Oliver Knussen conducts the BBCSO. Thurs: Marriner conducts the ASMF. Fri:

Maurizio Pollini. Sat: Elgar Howarth conducts Ligeti and Janacek. Sun: Vienna Boys Choir, also Ashkenazy conducts the RPO (071-928 8800). Queen Elizabeth Hall 19.45 Ross Pople conducts the Malcolm Arnold, in a concert celebrating the composer's 70th birthday. Tomorrow: Mozart and Beethoven concert. Wed: concert performance of Thomas Linley's The Cady, with cast including Robert Tear. Thurs: The English Chamber in a concert in a baroque programme tonight, the Scottish Chamber Orchestra in a Mozart programme conducted by Charles Mackerras on Fri and the Royal Scottish Orchestra conducted by Neeme Järvi on Sat (041 227 551). Scottish Opera presents its new production of Die Walküre at the Theatre Royal on Thurs (041 332 9000).

### MILAN

Teatro alla Scala 20.00 Luciano Berio conducts the Orchestra of La Scala in four works in which 20th century Italian composers have arranged music from previous centuries, including Berio's arrangements of Verdi songs, with Jose Carreras, repeated on Wed. Tomorrow: John Cranko's production of Romeo and Juliet. Thurs and Fri: Cranko's ballet The Taming of the Shrew. Sun: Frank Peter Zimmermann plays violin sonatas by Prokofiev (7200 3744).

### MUNICH

Staatoper 19.00 Bavarian State Ballet in Peter Wright's production of Sleeping Beauty. Tomorrow and Fri: Michael Plasson conducts Robert Carsen's production of Lucia di Lammermoor, with Edita Gruberova and Francisco Araiza. Wed: Elektra with Hildagard

Behrens and Christa Ludwig. Thurs, Sat and Sun: John Cranko's The Taming of the Shrew (221315). Philharmonie 20.00 Emmanuel Krivine conducts the Orchestre National de Lyon in Brahms' Academic Festival Overture, two suites from Bizet's L'Arlesienne, the second suite from Ravel's Daphnis et Chloe and Brahms' Double Concerto with Kyoko Takezawa and Antonio Meneses. Thurs: East Collegium plays music by Talmann and Brahms. Sat: Bochnerfest (48098 614). Herkulessaal der Residenz 20.00 Virtuosi Saxoniae in a programme of music by Bach, Telemann and Zelenka. Tomorrow: Sabine Meyer plays Mozart's Clarinet Quintet. Wed: song recital by Thomas Hampson. Fri: Mozart's Mass in C minor (289901).  
Kammerspiele 19.30 Molli's Don Juan directed by Hans-Joachim Ruckhäberle. Wed: Isen's The Lady from the Sea directed by Thomas Langhoff. Thurs: Goethe's Stella (23721 328).

### NEW YORK

Carnegie Hall 20.00 Arleen Auger and Murray Perahie join the Varmer String Quartet and Harold Wright clarinet for an evening of Mozart chamber music. Tomorrow: Warsaw Philharmonic Orchestra. Sat: Seiji Ozawa conducts a concert performance of Pique Dama, with a cast led by Mirella Freni, Vladimir Atlantov, Sergey Laifertuk and Dmitry Hvorostovsky (247 7800).  
Metropolitan Opera 20.00 Thomas Fulton conducts Un ballo in maschera, with a cast including Peter Dvorský and Sumi Jo, also Sat evening. Tomorrow and Fri:

Die Zauberflöte. Wed and Sat matinee: La fanciulla del West. Thurs: first night of John Copley's new production of L'elisir d'amore with a cast led by Luciano Pavarotti and Kathleen Battle (362 6000).

### VIENNA

**MUSIC**  
Staatoper 19.30 Bruno Will conducts Fidelio with Gabriele Beneschova as Leonore, also Fri. Tomorrow: Maria Zampieri sings Tosca. Wed: La traviata. Thurs and Sat: Die Frau ohne Schatten. Sat: Die Zauberflöte (51444 2960).  
Konzerthaus 19.30 Elgar Howarth conducts the English Northern Philharmonic in Messiaen's L'Ascension and Harrison Birtwistle's The Journey (from Gawnell) and Endless Parade, with Hakan Hardenberger. In the Mozart Saal tonight and tomorrow, the Alban Berg Quartet plays quartets by Mozart, Janacek and Brahms, in concert celebrating the 20th anniversary. Tomorrow: Franz Brüggen conducts the Orchestra of the Age of Enlightenment. Wed: Wynton Marsalis and Band. Thurs: Messiaen's Turangallia Symphony. Sat: Schoenberg Ensemble. Sun: Michael Gleason conducts Dvorak and Mendelssohn (7124 6860).  
**THEATRE**  
This week's repertoire at the Burgtheater includes a new production of Samuel Beckett's Waiting for Godot, directed by Cesare Lievi and designed by Peter Laher (first night on Wed, also Thurs and Fri). Isen's An Enemy of the People can be seen on Sat and Sun. Tonight's performance at the Akademietheater is Botho Strauss's Schlusschor, directed by Hans Hollmann (51444 2218).

## European Cable and Satellite Business TV

(all times CET)  
**MONDAY TO FRIDAY**  
Eurosport 0900-0930 International Business Report  
CNN 0730-0800 Moneyline  
1230-1300 Business Morning  
1330-1400 Business Day  
2000-2030 World Business Today  
a joint FT/CNN production with a review of business stories  
2200-2230 World Business Today  
0100-0130 Moneyline  
**SATURDAY**  
CNN 0730-0800 Moneyline  
0900-0930 World Business This Week - a joint FT/CNN production  
1500-1610 Moneyweek  
1600-1630 World Business This Week  
2110-2140 Your Money  
**SUNDAY**  
Supersatellite 1800-1830 FT Business Weekly  
Sky News 1830, 1830, 2030, 0030, 0230 FT Business Weekly  
CNN 0710-0740 Moneyweek  
1340-1400 Inside Business  
1540-1610 Your Money  
1800-1930 World Business This Week  
1940-2000 Inside Business



## FINANCIAL TIMES

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Monday October 21 1991

## Accepting the lesser evil

TO HEAR the anguished cries of the Israelis – and some of the Arabs – as they are dragged to the conference table in Madrid by Mr James Baker, the US secretary of state, one might assume that the long-awaited Middle East peace talks are being convened at a most inauspicious moment. In fact the need for negotiations has rarely been more pressing or the time more opportune, although it goes without saying that a settlement to the Arab-Israeli conflict is still a distant objective.

Israel's anguish has been more vocal than that of the other participants, but it has the least to complain about. The meeting in Madrid on October 30 is not the United Nations-sponsored international conference – with powers of enforcement – which the Arabs always wanted and the Israelis always feared. It is a ceremonial gathering to be followed by bilateral discussions of the kind long sought by Israel itself, and virtually every Israeli demand relating to the talks has been accommodated. The Soviet Union has restored full diplomatic relations with Tel Aviv, the UN has been left on the sidelines, and Israel has not been obliged to halt the settlement of Jews on occupied Arab land.

Israel's main complaint is of its own making: having demanded and won the right to exclude members of the Palestine Liberation Organisation and Arab residents of east Jerusalem from the Palestinian-Jordanian delegation, Mr Yitzhak Shamir's ministers now express surprise and horror when they find that the Palestinian delegates not only profess allegiance to the PLO (which, in spite of its many faults, is still the principal body representing Palestinians) but also demand that Jerusalem stay on the agenda.

## Special treatment

Israel's claim to special treatment from the west becomes more threatening with every day that passes. The country is discovering that its status as "America's only reliable ally in the Middle East" is less valuable, and less convincing, than it was during the cold war. At the same time the argument that Israeli forces should continue to occupy the West Bank to ward off an Arab attack has been undermined by the advent of the missile age and Iraq's use of Scud attacks against Tel Aviv during the Gulf war. In persuading Mr Shamir to talk to the Arabs now – while they are chastened by the disintegration of the Soviet Union, their erstwhile ally, and by the Gulf war defeat of Iraq, their self-styled champion – Mr Baker is trying to save Israel from itself.

The Arabs will undoubtedly be negotiating from a position of weakness, but that should not discourage them. Their weakness, after all, is partly a result of their belligerence and their refusal to accept the reality of Israel's existence since its foundation in 1948. While Arabs have repeatedly shunned the chance to negotiate, Israel has been building Jewish settlements in east Jerusalem and the West Bank – a process which Mr Shamir hopes will be irreversible.

**Fellow victims**  
For Arab governments too, this is a good time to make a deal. The Gulf war overrode many taboos. Kuwaitis and Saudis were heard to sympathise with the Jews who became their fellow victims at the hands of Iraq, and Israeli officials were seen for the first time expounding their views on satellite television in Bahrain. But much work remains to be done. There was a strong element of hypocrisy in the announcement by Mr Farouq al-Sharaa, the Syrian foreign minister, that he would not shake the "guilty" hand of his Israeli counterpart at the peace conference. The ruling Syrian Baath party has split plenty of Arab and Jewish blood without any help from Israel.

As Arabs and Israelis prepare for this most important of peace conferences, they would do well to remember the words of Machiavelli. "No government should ever imagine that it can adopt a safe course of action; rather, it should regard all possible courses of action as risky," he wrote. "Prudence consists in being able to assess the nature of a particular threat and in accepting the lesser evil." In the Middle East today, the greater evil is to fight; the lesser is to talk.

**How green is my directive**  
THE ROW between Mr Carlo Ripa di Meana, the EC environment commissioner, and the UK government over the environmental effects of big transport projects, like the M3 motorway and the Channel tunnel link, is a morality play of misdirection.

Its origin lies in a directive, unanimously agreed by EC environment ministers in 1985, requiring large public and private-sector projects to be accompanied by a published assessment of environmental impact. At the time, such rules were seen as being consistent with the desire for a "level playing field" of industrial and economic competitiveness between member states. More broadly, since all Community citizens benefit from a healthy environment, it can be argued that the Commission should have a bigger role as green policeman. More narrowly, Britain did not mind the directive, since it already made provision for environmental impact assessments.

The news, however, that Mr Ripa di Meana had sprung to the defence of the ancient burial mound of Twyford Down awakened two triumphant responses. One ranted that Brussels (not to mention, an Italian in Brussels) should keep its hands off England's green and pleasant land. A second, strongly felt among the groups protesting against the projects in question, but echoed by opposition politicians, was: "It comes to something when the Brussels Commission apparently cares more for our environment than our own British government."

The precise words are those of Mr Paddy Ashdown, the leader of the Liberal Democrats. Tub-thumpers, however, must reluctantly acknowledge that Commissioner di Meana is doing no more than acting as a vigorous bureaucrat. His letter to Mr Malcolm Rifkind, the transport secretary, is one of dozens fired off every month by the Commission as it sifts through national laws and regulations, to see whether they have faithfully written into national statute books the terms of a given EC directive. Similar letters have been sent on the subject of environment-

tal assessments to other member states. Slightly more unusually, Mr di Meana also sent a personal note to Mr Rifkind, asking him to hold back the excavators, pending resolution of an essentially legalistic dispute. It may be that this second note, which has no legal force, will be used by protest groups in the UK courts to try to stop some projects.

It would not be wise in these circumstances to draw mighty conclusions. But a handful of observations suggest themselves. The first is that those who fear the extension of the Commission's influence into matters which ought to be left to national or even sub-national levels of government – the level playing field argument is capable of almost boundless application – should realise that the Commission's ability to extend its reach derives invariably from powers conferred upon it by the Council of Ministers. This underlines the importance of achieving, via the Maastricht negotiations, more transparency in the functioning of ministerial councils.

**Significant loopholes**  
Second, when these agreed directives come to be transposed into national law, the process attracts little public or even parliamentary attention, since we are dealing with *faits accomplis*. This is unhealthy, since the transposition process can lead to significant loopholes. In the case at hand, the Commission says that Britain's version of the directive fails to insist that environmental assessment be recorded in writing, gives the authorities too much leeway to exclude projects from assessment and does not cover bodies benefiting from crown immunity.

The third moral is that Community-level activists in Britain are sometimes discovering that they are better able to express and pursue their local interests via Brussels than they are at the national political level. MPs who fear the marginalisation of Westminster as European unity increases should recognise that part of the explanation for this process lies in the excessive centralisation and remoteness of national political power in the UK.

Five years ago, the main board of the US's most powerful broking firm gathered in London for the first time. The directors of Merrill Lynch, the famed "thundering herd", had come to see a dream turn into reality: London was to take its rightful place as the world's third great financial centre after New York and Tokyo, becoming the European base for a round-the-clock investment market. It was to happen almost overnight, with a Big Bang.

Last week, Mr Dan Tully, Merrill's president and chief operating officer, was in London on a more modest mission, to rally the troops and show his face to valued customers. Merrill has a substantial presence in the securities and investment banking markets – employing more than the 1,000 staff it had in London in 1986. But the euphoria that surrounded the Big Bang reforms of the UK stock market five years ago are a distant memory.

"The exuberance shown by US firms certainly did not turn into reality," Mr Tully says now. "There were so many people that entered the market that the margins were not only skinny, they were non-existent."

Like many, Merrill believed it could achieve a dominant position in the domestic UK equity and government bond markets, which were thrown open to all-comers in the autumn of 1986 – though, unlike many rivals, it did not pay out enormous sums to acquire an existing broker or jobber.

Merrill's ambitions proved illusory. However, five years after the biggest upheaval in the history of London's financial markets, a securities industry is starting to take shape that mirrors some of the original hopes for Big Bang. As Mr Tully says of Merrill's experience: "It did not detract from our long-term commitment. We continue to grow in London."

The Big Bang reforms, which came into effect on October 1, 1986, were the most visible sign of the transformation of London's position in the investment markets from a privately-owned, cartelised industry to a global player. Other forces were also at work, and probably had a greater impact – the increasing international movement of capital, for instance, and the long bull market, which by 1986 had created euphoria in the City. But Big Bang became the focal point.

The reforms of 1986 boiled down to three rule changes at London's Stock Exchange. The system of minimum commissions, which gave many stockbrokers a comfortable income, was ended. The forced division between stockbrokers, who acted as agents for investors, and jobbers (now called market makers), who traded as principals with brokers or other jobbers, disappeared. And banks and other outsiders were allowed into the brokers' world.

At the same time, the Stock Exchange developed an automated price quotation system, SEAQ, on which market makers could display the prices at which they would buy and sell shares. The stock market thus vanished from the floor of the exchange and became a telephone market, conducted from the offices of the newly-created broker/market makers.

Once the market was thrown open, the stampede into UK equities and gilts (government bonds) was deafening. Part of the intention of Big Bang had been to open the market up to new capital, to bolster the paltry financial base of the jobbing firms. Yet investment and commercial banks from around the world which had their financial muscles ended up committing far more capital than could ever earn an adequate return.

At first, it seemed that the new stock market might reward its new inhabitants. Share trading leaped as the bull market soared towards its peak in the summer of 1987. At the same time, trading between the new market and the old one, the over-the-counter market, put spare capital to use, trad-

ing between themselves in pursuit of profit. Yet the stock market crash a year later, in October 1987, ended all that when investors' confidence evaporated and trading activity slowed sharply. Trading volumes, as the chart shows, have never recovered.

In the first nine months of 1987, securities firms in London made \$400m profit between them. That had been wiped out by the end of the year by the autumn crash. Ever since, occasional returns to profitability have been overshadowed by new lurches into the red – until this year, which has been a good one for most in the industry. Last year, the worst on record, London firms lost a combined \$360m.

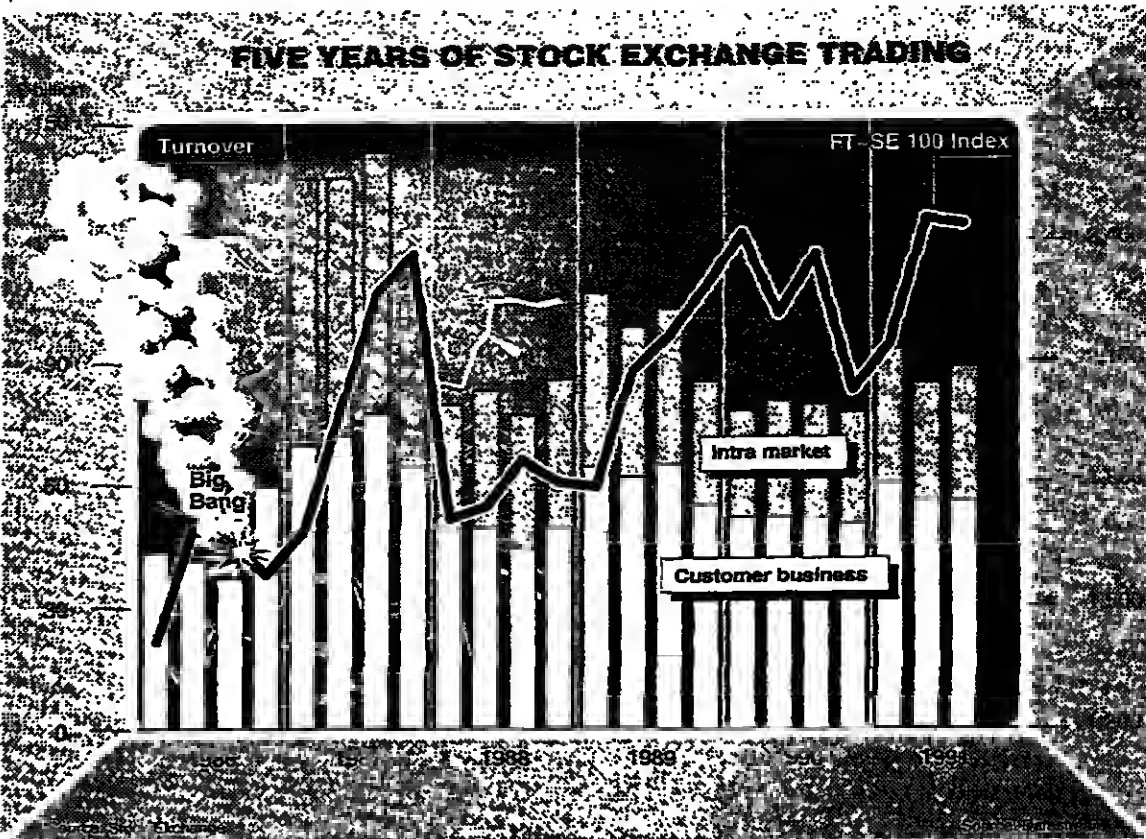
US banks were the most ambitious, and made the biggest mistakes. Commercial banks like Citicorp, Chase Manhattan and Security Pacific, and investment banks like Shearson Lehman (now Lehman Brothers), bought established names in the UK broking world: Scrimgeour Vickers, Simon & Coates, Hoare Govett, L. Messel.

These four banks paid hundreds of millions of pounds between them in goodwill to enter the UK market and absorbed hundreds of millions of pounds in losses afterwards. All have since retraced their steps in part or completely. The latest to go, Security Pacific, had intended to retain a holding in Hoare Govett, but only this month decided to sell its entire stake.

The problems emanate both from mistaken strategic thinking and plain bad management. The strategic mistake was that too many banks believed that they could achieve a

As the anniversary of Big Bang approaches, Richard Waters examines London's transformation into a global market place

## Revolution at a cosy British club



strong position in the domestic UK markets. "They made two bets," says Mr Herschel Post, chief operating officer of Lehman Brothers in London. "They bet they could come in and out-compete those already in the market. And they bet that the UK market was an immature one that could be developed. They were wrong on both counts."

If strategic thinking proved weak, management in some quarters proved weaker. Many of the commercial banks that bought their way into the market after Big Bang have since been forced to sell out or merge.

**The problems after Big Bang emanate both from mistaken strategic thinking and plain bad management**

broking treated their new acquisitions like precious toys, fearful of interfering. Having paid large amounts for the goodwill of broking firms, they pumped more capital in to pay for the new technology and large dealing rooms that became the symbol of the new era. Costs soared.

In many cases the banks were too late in taking control of their acquisitions. Union Bank of Switzerland, for instance, incurred losses of well over £100m in its broking arm, Phillips & Drew, before it decided in 1988 to merge the broker with its existing London investment banking operations and take direct control.

chairmanship of Rover, could be seen as a sign that Sir Graham might be wanting to clip the wings of BAE's chief executive, Dick Evans. Longer term, this may be no bad thing, but for the moment BAE needs to prove it has a united management team.

## Long memory

The friendly overtures to the City being transmitted from the UK Labour party's Walworth Road headquarters have obviously failed to reach top ears at General Accident. The company gave £35,000 to the Conservative party last year. When asked why – in a questionnaire that Pensions Investment Research Consultants sent to all FTSE 100 outfits – company secretary Richard Whittaker replied: "In the past, the Labour party has threatened the nationalisation of the insurance industry and has in particular targeted General Accident, along with six other insurers for nationalisation and for the direction of their investments."

And when were these dire threats made? "Walworth Road told me that this had not been in any Labour manifesto back to 1945," says PIRC researcher, Stuart Bell. "It didn't seem worth checking on Kier Hardie."

## Pretty Polly

Defence Minister Hussein Kamel Hassan has been voted Iraq's most handsome and successful cabinet member, according to an opinion poll. The survey was conducted by Bahl newspaper, which, being owned by Saddam Hussein's son Uday, clearly has a reputation for impartiality. The ballot considered the views of some 2,000 people, out of a population of some 18m. The defence minister, who is Saddam's cousin and son-in-law, was deemed the best-looking cabinet member, with 359 votes. Sort of, "thanks for the support".

**Rover's return**  
It seems a bit late in the day for British Aerospace to be talking about strengthening its management team, especially if its rights issue flops. Nevertheless, the suggestion that the group is thinking of appointing a chief operating officer makes sense. With close to 130,000 staff, BAE badly needs someone who can keep eyes on all the businesses on a day-to-day basis.

What makes less sense is the idea that BAE is thinking of promoting George Simpson, recently appointed Rover chairman, to the new post. Rover is hardly over-endowed with senior management talent and now that Sir Graham Day has been catapulted into the BAE chair, Rover can ill-afford to lose Simpson as well. Promoting Simpson, only weeks after he took over the

## TROUBLE AT THE LIBRARY

The Treasury is a notorious Philistine when it comes to funding the arts but its latest example of parsimony is enough to make the angels weep. It has approved the expenditure of £400m on the new British Library rising on London's Euston Road. But it is reneging on its pledge to spend a miserly £1m to make the building look half attractive.

Like most structures planned a half-century ago the library is not a total architectural delight; its best feature is that it is mostly hidden below ground. But there is a broad piazza stretching from Euston Road to the entrance hall and the last Minister for the Arts but one, Richard Luce, was keen to use the open spaces to commission works of art. A modest budget of £1m was set and a leading artist like Sir Eduardo Paolozzi and R. B. Kitaj were asked to produce contemporary masterpieces.

Now the Treasury has refused to hand over the money and the current Arts Minister, Tim Renton, is unwilling to dip into his budget. By the time the artists have been compensated any savings will be negligible, and the most expensive public building of the century will be completed without art.

Not surprisingly several experts who thought they were on a selection committee for works of art for the library have resigned. Renton hopes a commercial sponsor will step into the breach and pay for the art, but this looks unlikely.

## The sting

Süleyman Demirel, the former Turkish prime minister, who seemed poised to make a comeback in yesterday's general election, must be rueing the day he decided to make

## OBSERVER

a white stallion the centrepiece of his Istanbul election rally. A towering white stallion is the emblem of his True Path Party and the idea was that the best would rear up at the climax of his speech in which he promised to sweep away President Turgut Ozal, "his crown, his throne, and all."

Instead when all eyes were on the poor animal, it looked demurely to its right and left, and then keeled over, completely dead. An investigation revealed that it had apparently died of a bee sting. The bee, political augurers note in Turkey, is the symbol of the ruling Motherland Party set up by none other than President Turgut Ozal.

## Bound over

The five authors who do not win the Booker Prize tomorrow night will come away from the ceremony at the Guildhall with a valuable consolation prize. Their own books are set to become collectors' items in their own right.

While the Booker winner gets £20,000 and the certainty that the novel will soar to the top of the best-selling charts, the other five candidates will receive a copy of their work bound in leather. Booker, the food and agribusiness group which sponsors the prize, is paying for all six novels to be hand-bound by six of the country's top designer bookbinders. Each binding will reflect the individual theme and content of the novel it covers. Materials used range from the orthodox to the exotic.

Sir Michael Caim, Booker's chairman, who will be handing out the books on Tuesday night, sees the award as helping provide a showcase for another British cottage industry – international bookbinding. Hand-bound books are much more popular in other

parts of Europe, the US and Japan than in Britain. Individually bound books can fetch up to £20,000 although most prices are much more modest.

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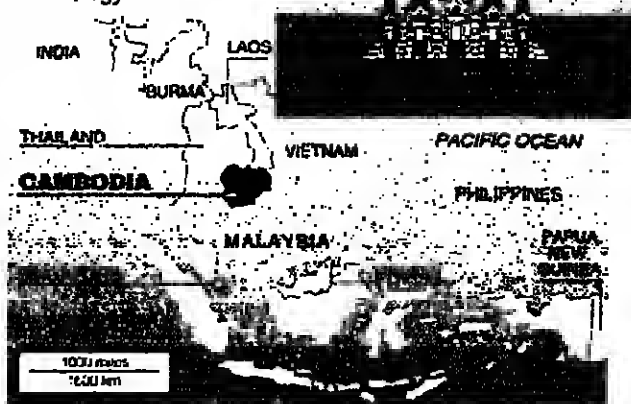
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# End in sight to nation's agony

Cambodia has a vast rebuilding task after a peace settlement is signed this week, writes Alex Nicoll

## CAMBODIA: Chronology



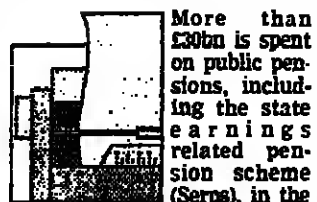
1953: Independence from France. Sihanouk head of state.  
1970: Sihanouk deposed by US-backed Marshal Lon Nol.  
1975: Khmer Rouge takes over, begins brutal regime.  
1978: Vietnam invades, installs government. Civil war.  
1989: Vietnam withdraws troops. Paris peace conference fails.  
1990: Cambodian factions accept framework devised by UN Security Council, forms Supreme National Council.  
1991: Factions agree on terms for peace treaty, due to be signed in Paris October 23.

In particular Vietnam and China, the principal supporters of the Khmer Rouge.  
Vietnam had a clear incentive to press Hun Sen, the Cambodian prime minister, to make concessions because the end of Hanoi's isolation from western economic support was made conditional on progress in Cambodia.  
Both Vietnam and China saw benefits in laying aside their long-standing enmity when they were left as the world's two remaining significant communist powers.  
China, meanwhile, has been seeking to rehabilitate itself internationally after the bloody crackdown of Tiananmen Square in 1989.  
Even after the peace treaty is signed many uncertainties will surround Cambodia's future. One is the role and ambition of Prince Sihanouk.  
More chilling is the continued shadowy presence of Pol Pot, who headed the Khmer Rouge regime from 1975 to 1978. He was reported to have come out of his jungle hide-out in late summer to be behind the scenes at talks in Thailand at which the key breakthrough leading to the treaty was made. No clear statement has been made about him, though all parties to the agreement reject the possibility of any role for him in Cambodia's future.  
Even discounting Pol Pot, the fact is that the electoral process may give the Khmer Rouge a legitimate role in Cambodian politics.  
More basic than this, however, is the laying down of arms. The five permanent members of the UN Security Council had previously insisted on total demobilisation of all forces before elections. However, the agreement to be signed in Paris stipulates 70 per cent demobilisation with remaining troops being disarmed and confined to barracks.  
A key task of the UN peace-keeping force will be to monitor

## PERSONAL VIEW

# In search of a stable pensions regime

By Edward Whitehouse and Richard Disney



More than £30bn is spent on public pensions, including the state pension, in the UK - almost 15 per cent of government spending. If tax relief on private pensions is included, the cost to the exchequer is even higher. It would be higher still if proposals for reforming state pensions suggested by the Labour party and the Liberal Democrats were implemented following the next general election. Furthermore, these proposals would change the distribution of benefits. In the run-up to the polls, it is essential to analyse properly these reform ideas. With a wide choice of public and private pension schemes on offer, a stable environment is needed within which to forecast future public pension entitlements and to plan future savings for private provision. Yet public pension policy has failed to provide the required stability. Serps, which came into operation in 1978, was an attempt to do so. Yet it was not adequately costed; within 10 years rising estimates for future pension costs led to a radical pruning of Serps benefits and to the offering of new incentives to contract out into personal pensions.

The excessive cost of these extra incentives led to criticism by the National Audit Office and the public accounts committee of the House of Commons. The 2 per cent rebate for people contracting out may not survive unscathed if there is a change of government. While individuals may choose to contract out, the state pension scheme, or to the new money purchase schemes, uncertainty over future pensions policy will not make rational choice easy.

All the political parties must answer four broad questions: ● What will happen to the value of the basic state pension? ● How much will providing it cost? ● What is the future of Serps? ● What fiscal incentives, if any, should be given to private pension schemes?

In the past decade, the value of the basic flat-rate state pension has been raised in line with price inflation. But in that 10 years, with faster real earnings growth, retired people have seen their basic pension lose 25 per cent of its value relative to wages. On present trends, this fall will continue. Since the basic pension is the core mechanism by which resources are redistributed from workers to pensioners, this continuing fall in value does not seem desirable.

Labour and the Liberal Democrats both propose to increase the basic pension in line with earnings growth (at least) so as to maintain its relative value. Labour also proposes a once-for-all increase in the basic pension and the Liberal Democrats propose a staged increase to restore some of the value lost in the past 10 years. Labour plans to fund this change partly by abolishing the ceiling on employees' National Insurance contributions.

Raising the basic pension immediately and then indexing in line with earnings is expensive. In 30 years, public expenditure on pensions will be some £20bn-£25bn higher at 1991 prices under Labour's proposals than it would be under present arrangements. It would be some £7bn-£10bn higher under the Liberal Democrats' scheme. This increase may be a price worth paying, but Labour's proposal has a peculiar side-effect because of the way benefits and contributions in the National Insurance system interact.

This stems from the fact that the basic pension for a married couple is set by law roughly equal to the "floor" at which a worker starts to pay National Insurance contributions. Workers earning less than this floor (such as some part-time workers) have reduced entitlement, or none, to a basic pension or to additional Serps pensions. By raising the basic pension, and therefore the value of this National Insurance

floor, pension entitlements among lower earners may actually be reduced by Labour's plan.

But this is not the end of the story. Pensioners who have been contracted in to the state scheme have acquired entitlements in additional earnings-related Serps benefits since 1978. Under present arrangements, Serps entitlements will form a third of public pension expenditure in 30 years as these pension rights build up and the relative value of the basic pension declines. The ceiling on Serps entitlements is equal to the "ceiling" on National Insurance contributions. So if the ceiling is abolished (as Labour proposes) or raised in line with earnings growth rather than price inflation in line with the basic pension, high earners will get much larger Serps pension entitlements than they do now.

The future consequence of Labour's proposal is an overall redistribution towards pensioners, but with some individuals who were low earners actually losing pensions, and higher earners gaining the most in projected benefits. This would seem to be slightly perverse.

What of Serps itself, and of competing private schemes? According to financial analysts, money purchase schemes, such as personal pensions, are more attractive than Serps to most men under 40, and to women up to about 40. Our research broadly confirms these conclusions, but suggests that results are highly sensitive to the size of the rebate given to newly opted-out schemes, and to the rate of return on scheme investments.

Small changes in the future rebate can change the optimal pension strategy for many individuals. Since the government seems happy to let Serps wither while pension schemes compete by providing often partial and selective information, the sensitivity of pension choice to these key variables is being largely ignored.

Richard Disney is professor of economics at the University of Kent. Edward Whitehouse is research officer at the Institute for Fiscal Studies.

## The peace treaty could set the United Nations its biggest challenge

neighbour, Vietnam, with western countries, and a gradual relaxation by the US of its veto on business and diplomatic links with Hanoi as Phnom Penh makes substantive moves towards democracy. Washington's first move can be expected soon after the Paris signing.

Full relations with the west will involve international financial support, which could lead to Vietnam and Cambodia competing for foreign investment with other Asian countries. Vietnam, which has great economic potential, has carried out market-based reforms aimed at attracting foreign investment. Its efforts have been applauded by the International Monetary Fund.

At the same time, the peace treaty will set perhaps the biggest challenge for the United Nations, which will oversee Cambodia's peace arrangements and transition to democracy both as administrator and peace-keeper in an operation costing as much as \$6bn and lasting perhaps two years. The UN high commissioner for refugees also faces the daunting task of repatriating over 300,000 Cambodians from camps on the Thai border.

## LETTERS

### Inexorable rise of Euro works councils

From Mr Denis MacShane.  
Sir, Eric Forth, the junior minister at the Employment Department, is wrong when he says that "a transnational works council... does not... exist at the present time anywhere in Europe" (Letters, October 17).  
The Volkswagen European Works Council is operating well and is accepted and welcomed by workers and managers of VW in Germany, Spain and other European countries. Thomson, the leading electronics and defence multinational, deals with a transnational European works council.  
In the next two months workers and unions from the following European companies will meet to establish embryonic transnational works councils: Bechtel, Volvo, Digital Equipment, Renault, Alcatel, Bull, Moulinex, Gilette, Electrolux, Pechiney, Grundig and Ford of Germany.  
In one form or another, European works councils are on the way. Must the British government always be so out of step with Europe? Or, rather, what drives Mr Forth and his boss, Michael Howard, to play Canute as the rising tide of the European works councils washes inexorably over their heads?  
Denis MacShane, International Metalworkers' Federation, 54 bis, route des Acacias, Case postale 563, CH-1227 Geneva

### How Mexico can play the political advantage

From Mr David Lehmann.  
Sir, Rudolph Dornhush's account (Personal View, October 16) of what Brazil could learn from Mexico misses one important point: whatever marvels the Mexican state has achieved in recent years, the task of the president has been made easier by the fact that it is still a one-party state, despite some political changes, and that he does, therefore, have vastly superior resources of power at his disposal than

### The realities of mass migration

From Mr Rodney E B Atkinson.  
Sir, Edward Mortimer writes that population growth in the "south" and economic opportunities in the "north" can only be reconciled by mass migration from the former to the latter. (Foreign Affairs, October 16).  
This myth underlies much of the present debate in political economy and seems to be a pillar of the EC's "Single Market" - as expressed in "the freedom of movement of goods, capital and people".  
Such freedom of movement may awaken in the minds of middle-class lawyers, economists and corporate managers, ideas of spending periods of their working life in Rome, Paris or Berlin, but the reality, of mass migration by impoverished guest workers, is rather less romantic. In Germany I witnessed the sadness of families from Turkey, Yugoslavia or Italy saying goodbye to relatives they could afford to send home for Easter or Christmas. I saw their alienated existence in a country whose language they could not speak and in which they could neither vote nor command any respect.  
Mass migration to find work is an evil, not an opportunity. In a world of capital freedom, unskilled workers are manipulated by fiscal manipulation, exchange and dividend controls, capital moves to where people need work.  
Moves towards a single European currency are already forcing British workers to migrate towards the centre of Europe (as one would expect from government price manipulation). What was in the past the fate of German bricklayers (Aufbauarbeiter, Pet) will soon be the fate of the British middle class.  
Market prices, free currencies, free movement of capital - and those who own that capital - all make the mass movement of people unnecessary. This may reduce the patronage of politicians and the power of the state but that is precisely why it will emancipate the people.  
Rodney E B Atkinson, 60 Ashbourne Court, Woodside Park Road, London N12

### Better a confidential search?

From Mr Andrew Britton.  
Sir, With regard to your article about the search for a new head of the Central Statistical Office ("Seiback in search for new CSO head", October 15), it is, I am sure, difficult in a case like this to get a clear account of events from the people involved. In my case, at least, the story has not come

out quite right. But do you not think, in fact, that it is best for the selection procedure to remain confidential?  
Andrew Britton, director, National Institute of Economic and Social Research, 2 Dean Trench Street, Smith Square, London SW1P 3SE

### Time lag makes 6.5 per cent pay rise acceptable

From Mr Bill Brett.  
Sir, You report (October 15) that a "row" is likely over MPs' receipt of a 6.5 per cent pay rise in January. Why? It is an inevitable feature of pay settlements linked to other groups that they tend to lag and thus appear out of step with "the going rate". This is exacerbated for MPs, as their pay is linked to a civil service settlement in August, which is in turn linked to private sector pay movements in the year to June. The 6.5 per cent figure was at the lower quartile of pay movements in a year which included the 10 per cent increases being enjoyed in October 1990.  
The other inevitable problem

in the public sector is that when this lag results in a low figure, the government is happy to implement it, but when it results in a high one, it finds it politically unacceptable.  
Accordingly, my union would fully support a parliamentary decision to implement the 6.5 per cent award from the end of the year.  
A more fertile ground for speculation is provided by the government's attempt to amend the civil service pay agreements. The government intends to extend performance pay already applicable in the civil service but not applying to the "linked" MPs. One can envisage many constituents

supporting a say in the pay of their MPs, perhaps based on their attendance record and the speed and quality of their response to constituents' letters.  
Finally, in support of the case for improving MPs' pay, their civil service colleagues are not allowed to take up additional jobs with other employers. Perhaps if MPs' pay was more attractive fewer of them would feel the need to moonlight in lucrative jobs outside the Commons.  
Bill Brett, general secretary, Institution of Professionals, Managers and Specialists, 75-79 York Road, London SE1 7AQ

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## INSIDE

### Hanson arranges £5.5bn funding

Hanson, the acquisitive UK-based industrial conglomerate, has just completed the arrangements for loans and refinancings of existing debt worth a total of almost £5.5bn. (\$9.4bn). The group has succeeded in securing rather highly priced funding, part of which is intended to cover the cost of acquiring Benger, the UK house-builder. Last week, Hanson agreed a seven-year \$40m syndicated loan, for which Chemical Bank is global co-ordinator. Bankers have described the loan as a technical highly leveraged transaction, believed to be the largest deal agreed in the last two years. Page 23

### Brent Walker request puzzles

In the latest twist to a seemingly endless rescue saga at Brent Walker, the Bank of England last night expressed puzzlement over a meeting requested by small shareholders in the troubled leisure group. Count Alexei Orlov, chairman of an independent shareholders' action committee, requested the meeting on Thursday. He opposes the Brent Walker restructuring proposals - which include asset sales - and wants shareholders to consider informal takeover proposals put forward by Mr. Tyny Rowland's international trading conglomerate, Lomho. Page 20

### O&Y sells property stake

Olympia & York, the international property company headed by the Reichmann family of Canada, has sold a 49 per cent stake in a New York office block to associates of Mr Li Ka-Shing, Hong Kong's largest property developer, for an undisclosed sum. Page 21

### US bonds suffer

Bonds were left aflutter on the canvas after the Labor Department reported that consumer prices had risen 0.4 per cent in September, twice the expected increase. For a bond market that had dropped its guard against inflation, last week's consumer price data were a surprise right hook. Page 22

### Fragile pricing consensus

A striking feature of the international bond market in recent weeks has been the wide disagreement between underwriters over the "correct" pricing of new issues. Following a period during the early part of the year when allegations of mispricing were few, the fragile consensus among syndicate officials appears to have cracked. Page 23

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## UK banks may shun Kuwait loan

By Sara Webb in London

BRITAIN'S leading banks are likely to refuse to join other international banks in lending money to Kuwait to help with its postwar reconstruction. Their refusal to participate at a senior level in Kuwait's \$5bn syndicated loan could jeopardise British industry's chances of winning important contracts from Kuwait for reconstruction and the export of British goods and services. Kuwait announced its plans to borrow \$5bn in the syndicated loans market on October 10, marking its debut in the international capital markets. The loan, which is being co-ordinated by

J.P. Morgan, the US finance house, has already attracted verbal and written commitments from Kuwait's main international banks including Citibank of the US, BNP of France, Deutsche Bank of Germany and Industrial Bank of Japan. Some bankers involved in the deal believe that the loan may be oversubscribed, allowing Kuwait to borrow more than the announced \$5bn. However, so far, the British banks have indicated that they do not want to be counted among the ranks at twenty or so lead managers despite heavy lobbying by Kuwait of senior bankers at last week's

International Monetary Fund meetings in Bangkok. Although the loan is regarded as being quite tightly priced, paying a margin over the London interbank offered rate (libor) of only 50 basis points, the additional fees - of more than 45 basis points - which are available to the lead banks are considered very generous. However, the British banks are concerned about having to lend at least \$150m apiece to Kuwait because of the capital adequacy requirements. Some British bankers have said that they expect to come under considerable

pressure from their UK corporate customers as well as from the government to participate in the loan. "It's an enormous amount of money to lend given the current capital adequacy constraints, but it would not surprise me if we are told to do it," said one UK banker. "If British banks steer clear [of Kuwait], it will scupper UK companies' chances of winning contracts," claimed one US banker. "People who don't show support don't get anything in return." The list of lead managers to the loan is expected to be announced this week before the loan goes into general syndication.

## Belgian analysts surprised by bid structure

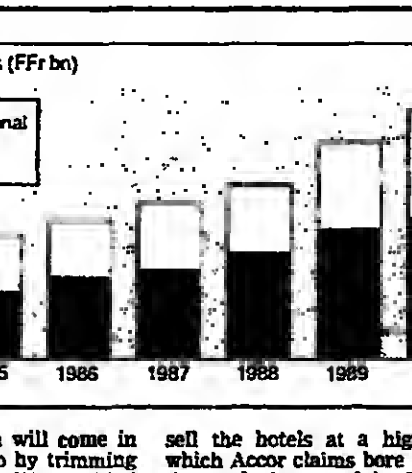
By Andrew Hill in Brussels

BELGIAN company analysts were surprised by the eventual structure of the bid for Wagons-Lits, which, if successful, will marginally reduce the exposure of Société Générale de Belgique to the Franco-Belgian tourism group but leave Belgium's largest holding company with stakes in both Wagons-Lits and Accor. The recapitalisation of the bid vehicle, Cofelco, is expected to reduce the cost to La Générale of financing its investment in Wagons-Lits. But some brokers had expected the holding company to end its involvement with Wagons-Lits altogether, possibly by selling its Cofelco stake in exchange for an increased holding in the French company. At the moment, La Générale holds 12.5 per cent of Accor's shares. La Générale also retains an option to sell its Cofelco shares to Accor.

## Travelling hopefully

Accor's chairmen explain their plan for Wagons-Lits to William Dawkins

The two chairmen of Accor, the leading French hotel group, admit freely that they never originally planned to make a bid for the whole of Wagons-Lits, the Franco-Belgian travel company. It was 15 months ago that the company, headed by Mr Gerard Pellissier and Mr Paul Dubrule, took a 27 per cent stake in the troubled Wagons-Lits, alongside Société Générale de Belgique, the French controlled holding company. Last week they launched a BP22bn (\$3.95bn) bid for the rest of the travel group. Mr Dubrule and Mr Pellissier, France's best known corporate double-act, started a chain of hotels 24 years ago in the belief that French bed and breakfasts were not providing a proper service. Now they say their mission is to be the McDonald's of the world hotel industry. With turnover of FF22.8bn (\$3.95bn) last year, Accor has establishments in 57 countries. Their original plan for Wagons-Lits was to merge either the assets or the managements of their respective hotel businesses and leave the rest alone, a strategy which was working as recently as last spring. Last week's full bid for Wagons-Lits might seem an expensive way of furthering the French group's hotel ambitions, given that Accor is still digesting last year's \$1.3bn takeover of Motel 6, the cut-price US hotel chain, and that Wagons-Lits hotels represented only FF2.5bn of its FF21.7bn turnover last year. The rest is split between restaurants, travel agencies, car rentals and train sleeping cars. Wagons-Lits' original business. Yet Accor's chairmen are entirely content with the outcome. The deal has increased Accor's position as the world's largest hotel group in terms of rooms owned and under management by adding Wagons-Lits' 35,000 rooms to its own 185,000, making a total of 220,000, with combined annual sales of FF40bn on last year's figures. Mr Pellissier reckons that under tighter management, Wagons-Lits could make a substantial profit before exceptional charges this year, rather than the expected FF150m.



Mr Pellissier reckons that this level of indebtedness is not far out of line for his industry, and easily affordable for Accor. He adds that Accor's shareholders' funds do not include around FF6bn for the increase in value of hotels bought or built in the 1980s, but which cannot be revealed in the balance sheet because Accor would have to pay tax on the unrealised gain. Accor does not plan to make heavy asset sales, although its chairmen do expect to be asked by the French Competition Council to sell Wagons-Lits' motorway restaurants on the grounds that the purchase gives the new group an 85 per cent share of the French market. This would bring in about FF150m and would bring the new group's share of the French motorway restaurant market back to the 50 per cent now controlled by Accor, through chains such as L'Arche and Café Route. They do not believe the bid needs to be scrutinised by the European Commission.

Belgian investors' criticisms that Accor is not offering enough are centred around the fact that its FF3.65bn per share offer price is well below the FF12.500 per share at which Accor says it and La Générale bought into Wagons-Lits in June last year. Small shareholders would like to have been offered the same price then, on the grounds that control of Wagons-Lits had changed hands, an argument which La Générale and Accor contest. Accor also maintains that minority shareholders are being treated fairly by now being offered a 25 per cent premium on Wagons-Lits' market price. That is the same premium which Accor and La Générale paid to buy into Wagons-Lits in the first place, points out the French group. Accor's legal and financial advisers had estimated that the French group could get away with offering FF8.200 per share. But the Belgian stock market authorities "asked us to put a cherry on the top of the cake, an extra premium in recognition of the fact that we were going for a majority," says Accor. It is a cake that Accor's chairman admits will take them along with their recent acquisitions, two years to digest.

## Sony to make new Apple computer

By Louise Kehoe in San Francisco

APPLE COMPUTER has teamed up with Sony, the Japanese consumer electronics giant, in an ambitious drive to establish Apple as the "top brand" in the fast growing market for portable "notebook-size" computers. Today Apple will launch three portable models of its Macintosh personal computer, one to be manufactured by Sony at plants in Japan and California. The new Macintosh "Powerbooks" are 5in by 11in folding versions of Apple's popular desktop personal computers. Prices range from \$2,900 to \$4,600, undercutting most comparable IBM-compatible notebook computers. Apple will also announce a new desktop computer model and two Macintosh "servers" - computers designed to power personal computer networks. The new products represent the first fruits of an effort led by Mr John Sculley, Apple chairman and chief executive, to increase the company's share of the world's personal computer market by accelerating product development. The company has discontinued its first Macintosh portable, a 14lb heavyweight that flopped at its launch two years ago after a three-year development, precipitating changes in Apple's management. The Powerbook 100, the lowest-cost model of Apple's new Macintosh portable computers, was developed in close collaboration with Sony. Two higher performance models were developed in Apple's own research and development laboratories and will be manufactured at the company's plants in California and Ireland. This is the first time that Apple has subcontracted the manufacture of any of its personal computers and is also a first for Sony, which has never before built a complete computer for a third-party customer. Apple's recently signed collaborative agreements with International Business Machines are, however, far more wide-ranging than those between Sony and Apple, Mr Sculley said.

Correction Citicorp An article on this page on October 17 incorrectly summarised Standard & Poor's downgrading of Citicorp's debt securities. S&P lowered Citicorp's senior debt rating from A-plus to A-minus. Its subordinated debt rating was lowered from A to BBB-plus.

## Sony spending cuts signal a return to reality

economic "boom" of the past 58 months is over in everything but name.

In pushing the ODR higher, the bank had been dealing with the threat of long-term economic health: the ready-to-explode speculative bubble in stock and property markets, and an overheated economy, including overheated corporate expectations. The first sign that the bank was satisfied with the results of its work came on July 1, when the ODR was cut from 6

## Economics Notebook

By Robert Thomson in Tokyo

per cent to 5.5 per cent. Mr Miemo was confident last week that the economy was "ready to enter a period of more balanced growth", though inflationary pressures still required close attention. But the Bank of Japan's chorus of critics argues that it has been over-cautious, that the economy is in danger of stalling and that the official forecast of 3.5 per cent growth in the year to the end of March will not be met. Mr Miemo wouldn't be much bothered if growth for the year did reach only 3.3 per cent, as he feels that the government has never fully appreciated the dangers posed by rampant speculation or sometimes profitable capital spending, both of which were fuelled by the flow of easy money during the late 1980s. The bank wants to keep the economy moving, though it does not want the stock mar-

ket to presume that the good, old days of gravity-defying rises are close at hand. There were good reasons for large increases with private spending, with profits and sales rising, research budgets growing and a worker shortage forcing investment in labour-saving technology and an overhaul of employee facilities. But some companies were putting on production capacity in the apparent expectation that domestic demand would rise boundlessly and that mar-

expect pre-tax profits to fall by an average 8.3 per cent this year. Again, the Bank of Japan has not been panicked by this profit decline, as officials suggest that the experience will encourage companies to exercise more financial discipline. But the bank's confidence appears to be based on the expectation that domestic demand will begin to rise in the near future, while Mr Miemo's critics say that demand is flagging and that the bank has misjudged the market. On to this stage walks Mr Kiichi Miyazawa, the former finance minister destined to become prime minister next week, who has an abiding interest in economic policy. He will be under pressure to put the economy on a more stable footing, and will have more influence over the budget than the present leader, Mr Toshiki Kaifu, who was embarrassed by the finance ministry's unwillingness to keep his promises. Mr Miyazawa suggested last week that the central bank should lower interest rates, while Mr Miemo indicated that he respected Mr Miyazawa's opinions, but implied that they alone did not dictate economic policy. The scene is set for an interesting few months of policy debate, as Mr Miyazawa, generally perceived as an "internationalist", will be keen to prove that he has a strong grasp of domestic policy concerns. Mr Miemo sees the surge in the trade surplus as an aberration, while Mr Miyazawa will be taking the late-night phone calls from President George Bush. Mr Miemo argues that excessive domestic growth tends to lead to yen depreciation, while Mr Miyazawa wants to expand public spending and is also in favour of a strong yen. As economic growth continues to slow, so the debate will quicken.

## Investment trust raises a record £246m

By Vanessa Houlder in London

M&G, the UK fund management group, has raised a record total of £246.47m (\$423m) for its new Income Investment Trust, following the most ambitious launch of a new fund in recent years. The figure is more than twice the largest sum of money previously raised by a new investment trust, which was £100.5m raised by Drayton Asia to September 1989. The sum exceeded the £150m which M&G said it expected from the launch, although it was less than half the maximum that could be raised. The M&G Income Investment Trust is now the second largest split capital trust in the UK market. The significance of the split capital form, which allows investors to choose between capital, income and zero-consumption shares, is that trusts of this kind often avoid trading at a discount to their asset value. In the marketing campaign that covered 10 per cent of UK households, the new trust was mainly sold as a personal equity plan, which shelters income and capital gains from tax. By the closing date for M&G's offer for subscription last Thursday, the investment trust had received 27,833 applications for about 145m package units at 100p. In addition, S.G. Warburg had placed 100m geared ordinary units at 65.5p each and about 100m zero-dividend preference shares at 34.5p each, raising a total of £100.7m. The formal allotment of the shares will take place on October 28 and dealings are expected to start the following day.

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## COMPANIES AND FINANCE

## Small shareholders in Brent Walker still voicing opposition Bank puzzled by Orlov's request

IN THE latest twist to a seemingly endless rescue saga at Brent Walker, the Bank of England last night expressed puzzlement over a request by small shareholders in the troubled leisure group, writes Peggy Hollinger.

Count Alexei Orlov, chairman of an independent shareholders' action committee, requested the meeting on Thursday.

He opposes the Brent Walker restructuring proposals which include asset sales - and wants shareholders to con-

sider informal takeover proposals put forward by Mr Tiny Rowland's International trading conglomerate, Lounho. Count Orlov claims the backing of more than 30 per cent of Brent Walker's shareholders in opposing the restructuring.

A spokesman for the Bank said last night that, even if Count Orlov managed to persuade the institution that the restructuring was wrong, it was difficult to see what the Bank would be able to do.

Count Orlov will meet with Mr Pen Kent, the Bank's direc-

tor of finance and industry. Mr Kent's brief covers "all the areas the Bank is interested in but not responsible for", the spokesman said.

The Bank has been kept closely informed of developments at Brent Walker. Re-negotiating talks on the £1.5bn debt were given a boost earlier this month with the agreement from bondholders to swap convertible bonds for unsecured loan stock.

Brent Walker said yesterday that it expected Count Orlov to get "a dusty reception" at the

Bank. "We are concerned that small shareholders are grasping a will o' the wisp," a company spokesman said. He denied accusations that it or its bankers had spurned approaches from Lounho.

"There has not been a Lounho offer," he said. He added that, in any case, "the banks would not accept Lounho paper for Brent Walker debt".

In a letter to Brent Walker's 47 banks, Mr Rowland outlined his offer to swap one of Lounho's shares for every four in the leisure group.

## Le Creuset keeps tight grip to lift profit 14%

By Michyo Nakamoto

HIGH QUALITY cookware did not escape the downturn in consumer spending but Le Creuset, the French-based maker of cast iron cookware and oven-to-tableware, managed to improve profits by 14 per cent in the first half of 1991.

Sales dipped to £15.5m (£15.8m) but the pre-tax profit rose to £1.1m (£970,000). Interest charges came down to £241,000 (£248,000) through careful management of currency transactions made for business requirements.

The group, which achieves about a third of its sales in France and another third in the UK, experienced weaker demand in the former. The UK subsidiary and the US offshoot, which makes up for about 27 per cent of turnover, were able to increase profits.

The downturn in France was attributed to poor weather which affected sales of barbecue equipment, but Mr Ian Futtock, administration director, said that consumer spending had been as badly affected by the recession there as in the UK.

Earnings per share rose to 4.4p (3.9p). The group is paying its interim dividend (last time 1.1p) in favour of one payment per year, as French law requires audited accounts to be presented in order to pay a dividend.

## Right connection at Prestwick James Buxton analyses its improved prospects

Prestwick Holdings felt the impact of the arrival of Mr Wayne Osman, its new chief executive, almost immediately. Less than a month after he took over as chief executive of the Ayr-based printed circuit board maker he made 50 of the 490 staff redundant.

Mr Osman, a rather chubby, boyish-looking 42-year-old, who was once a professional cricketer, was brought in last autumn to shake up Prestwick as, since its flotation in 1988, it had only once seen a premium on its shares. That was just after it joined the stock market, when the 100p shares briefly went to 160p.

In the past few days, however, Mr Osman has been able to show the first fruits of his treatment. Although pre-tax profits for the year to July 31 were only £108,000 against £100,000 in the previous year, trading profit in the second half was nearly £1m against a first half loss of £415,000.

Prestwick is one of the handful of indigenous Scottish electronics companies which carry out volume manufacturing. With several multi-national computer makers, such as International Business Machines, within an hour's drive of its plants at Ayr and Irvine, Prestwick should have a ready local market for its PCBs, the product which connects the main components of most electronic equipment.

But in practice the recent story of Prestwick, which was founded in 1969 by Mr Bill Miller and his brother Eric, has largely been one of disappointments and false dawns, punctuated by changes in management.

The flotation itself was ill-starred: soon after it Sinclair Research, Sir Clive Sinclair's computer company, which Prestwick had opened a new plant at Irvine to supply, had to be rescued.

That and a recession in the electronics industry pushed Prestwick into the red. Although it returned to profit in 1988 and invested £1m in equipment to manufacture the most advanced types of PCB, things never went quite right. The following year it achieved record profits of £2.12m on sales of £26m but was then hit by a break in orders for telecommunications equipment



Wayne Osman: first fruits of his treatment

from British Telecom.

"Bill [Miller] rushed off in too many directions at once when he was MD," says James Warhurst, an analyst with Henry Cooke Lumsden in Manchester. A company insider says: "We weren't constant. We would announce that we'd won some great new customer, and then we would deliver the first samples late."

Although the Miller family controls about 20 per cent of the ordinary shares the institutions, such as Scottish Mutual, finally lost patience last year. Mr Miller became non-executive chairman. Mr Douglas McKenzie, the managing director, left and Mr Osman was headhunted to be chief executive.

Mr Osman, formerly chairman of the electronics division of B Elliott and a senior executive with Crosfield Electronics and De La Rue, has spent all his business career in the electronics industry. He identified Prestwick's problem as its long-running failure to reduce costs as customers demanded lower product prices.

But he also took over a company with a strong balance sheet, including cash of more than £4m, and a share price with plenty of upside potential. In October last year the shares stood at 32p before sliding to 23p. Now they are at 57p.

Through greater efficiency, Mr Osman has lowered the cost of the customer design the PCB it wants and so establish stronger links. "Some companies accept, some don't," he says. He has also opened sales offices in France and Germany.

Although turnover last financial year fell 12.5 per cent to £25.2m because of the recession in the UK, the order book is 20 per cent ahead of a year ago. Last month the company bought a small PCB maker named GTN from the receiver for £140,000 to add to its product range. In July it acquired Band Electronics, an electronic components distributor.

"What I now want is a solid set of figures to give us strong financial foundations," says Mr Osman. He has attracted back to Scotland several expatriate Scottish managers "with a strong desire to make a Scottish industry successful".

Mr Warhurst says: "I've always thought Prestwick's strategy with its high investment was absolutely right; it was the implementation that was weak. Now there's much tighter control and a better spread of clients and no gearing." He believes Prestwick will make at least £1.5m pre-tax this year.

## Restructuring of Embassy Prop delayed By Vanessa Houlder, Property Correspondent

Embassy Property, a USM-quoted developer and investor, has failed to meet its expected deadline of today for the agreement of a restructuring package.

It issued a statement to the Stock Exchange on Friday, which said:

"These discussions have progressed satisfactorily but, in view of their detailed nature, a further period is necessary to complete negotiations and it is therefore now anticipated that a circular, together with the accounts, will be despatched in approximately four weeks' time."

Embassy, which has debts of £26.8m, is in negotiations with its banks and new and existing shareholders.

Mr Roger Holbeche, chairman of the company, said the delay did not indicate that the restructuring package would not go ahead.

"It is complicated because there are a number of banks involved. It is a complex package," he stated.

## Arjo Wiggins' £23m Spanish deal

By Tom Burns in Madrid and Paul Abraham in London

ARJO WIGGINS Appleton, the Franco-British paper group, announced that it intends to acquire Corporación Comercial Kanguro, the Spanish paper merchant. In a deal worth about £23m.

The Franco-British giant's bid for the whole of the Spanish company offers a price of Ptas2,700 (£14.72) per share, a 13.68 premium on the Ptas2,375 price when the listing was suspended last Thursday.

Mr Ignacio Alcalde, the Kanguro chairman, said no decision had been taken by the company which specialises in stationery products and is one of Spain's few independent paper producers.

The Kanguro board will meet this week to decide its strategy and will be advised by BBV Interactiva, the broking subsidiary of the large domestic retail bank Banco Bilbao Vizcaya. Mr

Josep Prats, a partner in Axel group, an independent Madrid firm of corporate analysts, said the bid, which values Kanguro at Ptas2,320n, was "valuable".

The acquisition was a logical step forward for AWA said the company, whose strategy is to move from commodity paper production into high value-added products. The group, whose paper distribution operations have sales of £1.1bn, is already the largest merchant in France, Belgium, the UK and Ireland.

AWA's bid was presented to Madrid's stock exchange commission by its portfolio subsidiary Societe des Papestries Divry. The bid was backed by Banco Hispano Americano, a second major Spanish retail bank and Hispano's broking division was acting as advisers in the share offering.

## Sheldon Jones £0.24m in the red

Sheldon Jones, the USM-quoted animal feed manufacturer, incurred losses of £243,000 before tax for the year to end June, compared with a £627,000 profit for the previous 13 months. Turnover was £38m higher at £15.4m.

The loss per share was 1.2p (7.1p earnings) after a tax credit of £182,000 (£260,000 charge) and the final dividend in cent from 3.7p to 1.2p for a 2.56p (5.12p) total.

## Tax and stamp duty rules for merged Futures market

By Vanessa Houlder, Property Correspondent

MR Francis Mande, financial secretary to the Treasury, has announced new tax and stamp duty rules for the new market created from the merger of the London International Financial Futures Exchange (LIFFE) and the London Traded Options Market (LTOM).

In the merged market, the principal traders in equity options will be able to claim stamp duty and stamp duty reserve tax reliefs. The relief will apply to equity transactions which are necessary to hedge option positions undertaken by members on their own account.

When stock is bought or sold

to meet a delivery obligation arising from the exercise or assignment of a delivery, stock lending reliefs and exemption, in certain circumstances, from the anti-wash sale legislation will also apply. Stock lending relief is the tax exemption that applied to borrower and lender, when a dealer borrows securities from institutions, for a fee, in order to deliver on sales.

The government said it was allowing tax relief on stock borrowed to hedge option positions because, in the new merged market, dealers who are not market makers are expected to play an important role in providing liquidity.

## Chesterfield hit by interest

A surge in interest charges hit Chesterfield Properties in the six months to June 30, with pre-tax profits crashing from £7.84m to £2.37m.

However, rental income was up 17.5 per cent at £18m (£12.1m) and profit before tax and interest increased from £1.13m to £12.4m. Turnover was £24m higher at £18.4m.

Earnings per share emerged at 0.75p (2.1p). The interim dividend is held at 7p.

## Owen & Robinson clips losses

Owen & Robinson, retailer of jewellery and sports footwear, showed a pre-tax loss of £1.23m for the half year ended July 31 1991, against £1.28m.


As to the rest of the year, Mr Maurice Dwek, chairman, said it was highly dependent on

Christmas trading.

Turnover rose £3m to £7.9m, and trading loss fell £133,000 to £450,000. Interest charges increased to £778,000 (£701,000). Losses per share were 7.8p (11.1p) and the interim dividend is again 0.15p.

DIVIDENDS ANNOUNCED				
	Current payment	Date of payment	Corresponding dividend	Total last year
Chesterfield Prop. Int.	7	Dec 30	7	18.5
Contra-Cyclical Int.	2.25	Nov 28	-	-
Le Creuset S. Int.	nif	-	0.13	0.39
Hall Homes Int.	nif	-	1	1
HTV Group Int.	1.5	Nov 28	1.5	3.75
Lon & Associated Int.	0.05	30	0.05	0.5
Owen & Robinson Int.	0.15	Jan 15	0.15	0.15
Scott Metro Prop. Int.	1.87	-	4.22	6.75
Sheldon Jones S. Int.	1.21	-	3.77	5.12
Value & Income Int.	1.62	Jan 8	1.35	2.7

Dividends shown pence per share not except where otherwise stated. "Equivalent after allowing for scrip issue, on capital increased by rights and/or acquisition issues. SUSM stock: 20p policy to make one annual payment. Comparisons in FFrs.



**Offer on behalf of  
LASMO plc ("LASMO")  
to acquire the Ordinary shares of  
Ultramar PLC ("Ultramar")**

J. Henry Schroder Wagg & Co. Limited ("Schroders") announces on behalf of LASMO that, by means of a formal offer document dated 21st October, 1991 (the "Offer document") to be despatched today, and by means of this advertisement, LASMO, through Schroders, makes an offer ("the Offer") to Ultramar Ordinary shareholders to acquire the Ordinary shares of Ultramar ("the Ultramar Ordinary shares"). Terms defined in the Offer document have the same meanings in this advertisement.

The Offer comprises one new ordinary share of 25p in LASMO ("the new LASMO Ordinary shares") for each Ultramar Ordinary share. The full terms and conditions of the Offer are set out in the Offer document.

The Offer is not being made directly or indirectly, in, or by use of the mail of, or by any means or instrumentality of interstate or foreign commerce, or by any facilities of a national securities exchange of the United States. This includes, but is not limited to, facsimile transmission, telex and telephone. Persons wishing to accept the Offer should not use such mail or any such means or instrumentality for any purpose directly or indirectly related to acceptance of the Offer and so doing may invalidate any purported acceptance.

The Offer does not extend to American Depositary Receipts evidencing interests in Ultramar Ordinary shares. The new LASMO Ordinary shares have not been and will not be registered under the United States Securities Act of 1933 and may not be offered, sold or delivered, directly or indirectly, in the United States.

The Offer is being made by means of the Offer document and this advertisement end, subject to the despatch of the Offer document, will be capable of acceptance from and after 3.00 p.m. on 21st October, 1991. Acceptances of the Offer should be received by not later than 3.00 p.m. on Monday 11th November, 1991 (or such later time(s) and/or date(s) as LASMO may, subject to the rules of the City Code, decide). Copies of the Offer document, Listing Particulars and Form of Acceptance will be available for collection from The Royal Bank of Scotland plc, Registrar's Department, 67 Lombard Street, London EC3.

This advertisement is published on behalf of LASMO and has been approved by Schroders, a member of The Securities and Futures Authority, for the purposes of section 57 of the Financial Services Act 1986.

The Directors of LASMO accept responsibility for the information contained in this advertisement end, to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this advertisement is in accordance with the facts and does not omit anything likely to affect the import of such information.

Dated: 21st October, 1991

Prices for electricity delivered to the purchaser of the electricity pool and settlement arrangements in England and Wales.			
Period	Pool purchase price	Pool selling price	Pool clearing price
10/10	15.80	15.80	15.80
11/10	15.80	15.80	15.80
12/10	15.80	15.80	15.80
13/10	15.80	15.80	15.80
14/10	15.80	15.80	15.80
15/10	15.80	15.80	15.80
16/10	15.80	15.80	15.80
17/10	15.80	15.80	15.80
18/10	15.80	15.80	15.80
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21/10	15.80	15.80	15.80
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23/10	15.80	15.80	15.80
24/10	15.80	15.80	15.80
25/10	15.80	15.80	15.80
26/10	15.80	15.80	15.80
27/10	15.80	15.80	15.80
28/10	15.80	15.80	15.80
29/10	15.80	15.80	15.80
30/10	15.80	15.80	15.80
31/10	15.80	15.80	15.80
1/11	15.80	15.80	15.80
2/11	15.80	15.80	15.80
3/11	15.80	15.80	15.80
4/11	15.80	15.80	15.80
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6/11	15.80	15.80	15.80
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29/12	15.80	15.80	15.80
30/12	15.80	15.80	15.80
31/12	15.80	15.80	15.80

CROSS BORDER M&A DEALS				
BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Acco (France)/Societe Generale de Belgique	Wegons-Lits (France/Belgium)	Tourism	£428	Accor expanding internationally
PG & E Resources (US)	Unit of BP (UK)	Oil & Gas	£233m	More Tex/Con disposals
Wessex Waste Management Wimpey Waste (UK)	Waste management	Waste management	£105m	Wimpey needs cash
Management team (Canada)	Unit of Granada (UK)	TV Rental	£38m	Non-core disposal
Digital Equipment Corp (US)/Sonda (Chile)	Deal (JV)	Computer services	£34.8m	LatAm launch-pad
P & O (UK)	New Zealand Line (NZ)	Shipping	£13m	Identify and jobs lost
Sogefi (Italy)	Europartes Industrie de Autopartes (Brazil)	Motor components	£10m	Cash deal
NFC (UK)	Bos Finances(France)	Transport	£8m	Specialist
Jardine Fleming (HK)	Apex Securities (Malaysia)	Stockbroking	n/a	JF takes 30%
Dunhill Holdings (UK)	Dunco (Japan)	Distribution	n/a	Dunhill takes 34%

**Nationwide Anglia**

£100,000,000  
Floating rate notes due 1998  
(Issued by Anglia Building Society)

Notice is hereby given that the notes will bear interest at 10 1/2 % per annum from 17 October, 1991 to 17 January, 1992 interest payable on 17 January, 1992 will amount to \$133.54 per \$5,000 note and \$6,676.91 per \$250,000 note.

Agent: Morgan Guaranty Trust Company  
JPMorgan

**U.S. \$250,000,000 Security Pacific Corporation**

Floating Rate Subordinated Capital Notes due 1997

Noteholders are advised that for the interest period from August 21, 1991 to November 20, 1991 inclusive, the sum of U.S. \$144.25 will be payable on the interest payment date, November 21, 1991, per U.S. \$100,000 principal amount of Notes.


By: The Chase Manhattan Bank, N.A.  
London, Agent Bank  
October 21, 1991

**FLASH LIMITED SERIES A**

U.S. \$33,340,000  
Secured Floating Rate Notes Due 1992

In accordance with the conditions of the notes, notice is hereby given that for the six-month period 21st October 1991 to 21st April 1992 (183 days) the notes will carry an interest rate of 5.9575% p.a.

THE SANWA BANK LIMITED  
Agent Bank




**FINANCIERE GRAVOGRAPH**

has acquired from VEV  
**GRAVOGRAPH INDUSTRIE INTERNATIONAL**

and  
**NEW HERMES INC.**

LMBO structured by



**Rothschild & Cie**  
PARIS

September 1991

مكتبة القرآن الكريم











# INTERNATIONAL CAPITAL MARKETS

## SYNDICATED LOANS

### Hanson arranges £5.5bn package

HANSON, the acquisitive UK-based industrial conglomerate, has just completed the arrangements for loans and refinancing of existing debt worth a total of almost £5.5bn.

The group has succeeded in securing rather tightly-priced funding, part of which is intended to cover the cost of acquiring Beazer, the UK house-builder.

Last week, Hanson agreed a seven-year \$4bn syndicated loan, for which Chemical Bank is global co-ordinator. Bankers have described the loan as a technical highly leveraged transaction (HLT), believed to be the largest deal agreed in the last two years. However, they point out that while HLTs often carry very high margins, in Hanson's case the margin is 175 basis points over the London interbank offered rate (Libor), while fees are about 37 basis points.

Hanson is a quality name which means that its pricing is considerably lower than that for other HLTs, said one banker, adding that the group had a reputation for aggressively priced loans.

However, while market sources suggested that the deal would be successfully syndicated, they added that the large size could prove a problem.

The \$4bn loan is understood to consist of \$2.2bn of new money and \$1.8bn to refinance an existing syndicated loan which Hanson arranged in 1990 to pay for its \$1.2bn acquisition of Peabody Holding, the US coal-mining concern. The loan

was originally for \$2.6bn and had a margin of 50 basis points over Libor.

Hanson is also understood to have renegotiated a \$3bn syndicated loan which was signed in 1989 to cover the acquisition of Consolidated Goldfields.

The loan, of which \$2.7bn is outstanding, was due to mature in August 1992 and has a margin of 15 basis points over Libor.

However, one of the conditions of the loan is that if Hanson's debt exceeds its cash, the margin rises to 25 basis points over Libor. The acquisition of Beazer, Britain's fourth largest house-building company, will trigger that increase, according to bankers.

The \$2.7bn loan has now been renegotiated: Hanson will pay a margin of 25 basis points until August 1992, and a margin of 37.5 basis points above Libor on \$2.7bn until November 1992, whereupon it will repay part of the loan.

The remaining \$1.8bn loan will be due for repayment in November 1993, and has a margin of 37.5 basis points. The maximum fees are 17.5 basis points. The lead managers are Barclays Bank, Credit Suisse First Boston and National Westminster (which is the global co-ordinator).

Bankers said they considered the spread on the four-year loan to be "reasonable" and drew a comparison with the terms on the syndicated loan launched by Grand Metropolitan, the UK leisure group, in June.

GrandMet had planned a \$2.5bn financing with a spread of 37.5 basis points above Libor and fees of about 27.5 basis points for banks which took the maximum commitment of \$150m.

Despite grumbles from some of the banks that the terms were aggressive, the deal was oversubscribed and GrandMet raised about \$3bn on its four-year facility.

Finally, Hanson has arranged a \$400m short-term credit facility, repayable in November 1992, to cover the \$320m acquisition of Beazer. Again, the margin is 37.5 basis points over Libor, and there is a commitment fee of 12.5 basis points.

Sara Webb

## INTERNATIONAL BONDS

### Fear of bad habits returning as firms criticise prices

A STRIKING feature of the international bond market in recent weeks has been the wide disagreement between underwriters over the "correct" pricing of new issues. Following a period during the early part of the year when allegations of mispricing were few, the fragile consensus among syndicate officials appears to have cracked.

Last week there were more instances of new issues which competitor firms said could not be sold at the issue price. BMW's \$200m five-year deal launched through Dresdner Bank last Monday came in for a storm of criticism. The yield spread of 50 basis points above US treasury bonds was, said the critics, at least 10 basis points too high.

Credit National's Y30bn issue via Mitsui Tajo Kobe on Wednesday was also described by syndicate officials as having been priced too high.

Even the highest underwriting firms have been attacked. Credit Suisse First Boston's \$300m 10-year deal for Prudential, the UK insurance company, was launched at a yield spread of 75 basis points over US government bonds, again 10 basis points too tight according to rival firms.

Observers outside the Eurobond market ask how such apparent instances of mispricing can come about.

Even the harshest critics admit that pricing of a new Eurobond issue - particularly for corporate borrowers, such as Prudential or BMW, which come to the market infrequently - is more of an art than a science.

The first problem can be finding a credible benchmark bond issue trading in the secondary market against which to judge the issue.

For example, the lead manager of Credit National's Euro-y issue said the deal had been priced to yield a healthy 18 basis points more than an issue of comparable maturity from SNCF, the French state rail company.

However, critics said that the SNCF issue carried a government guarantee, unlike the Credit National one. Moreover, the issue does not trade widely, leading to a shortage of paper in the secondary market and a lower yield than might otherwise be the case. Hence the SNCF issue was not an appropriate yardstick.

Finding a benchmark against which to price a deal is even more difficult where the majority of outstanding bonds in the secondary market are trading above face value. This is the case in the Eurodollar market.

US interest rates have fallen so far that many outstanding bonds trade substantially above par. Few investors are willing to buy these issues. Investors can encounter accounting and tax complications from buying a bond at, say, 105 per cent of face value when the bond is eventually redeemed at par.

The result is that many of the old, accepted benchmark

Eurodollar bond issues are no longer a reliable guide to "fair" value. Secondary market prices have become detached from primary market prices.

Even if a comparable, liquid benchmark can be found, pricing a new issue can still be a matter of educated guesswork. For example, before Prudential's Eurodollar bond issue last week, the company had not borrowed in dollars for years.

The old issues were largely illiquid and gave little clue as to the correct yield for new bonds. And how would the market regard Prudential as a credit after such a long absence from the market?

These problems were reflected in the wide disparity of bids which the company received from syndicate officials. The yield spread of 75 basis points above US treasury bonds proposed by CSFB was not the lowest bid received. Bids ranged from 69 to 89 basis points over treasury bonds, according to other participants in the bidding process.

A further question is whether borrowers are partially to blame for the poor performance of new issues by asking firms to bid for issue mandates, rather than awarding the mandate to a trusted adviser and then discussing price.

The process of competitive bidding, it is argued, leads firms to put in dangerously tight bids - especially where the borrower has a reputation for accepting the lowest bid.

For example, the European Community came in for heavy criticism in February when it launched two Ecu-denominated Eurobond issues, lead managed by Dresdner and CSFB.

The tightly-priced issues were launched into an Ecu bond market awash with unplaced paper. Both fared badly.

The Ecu500m seven-year issue lead managed by Dresdner fell from a launch yield of 10 basis points less than French government Ecu-

denominated paper to 5 basis points more.

Many firms privately criticised the EC for accepting the lowest available bid, regardless of market consensus. The EC argued that, as a public body, it had a duty to achieve the lowest possible cost of funds.

Hence to blame mis-priced deals on the greed or incompetence of Eurobond firms would be simplistic. But syndicate officials are concerned that, following a profitable first half of the year characterised by strong issue volume and generally sensible pricing, bad habits are returning.

The fixed price re-offer method of syndicating new issues was introduced to help restore order and profitability to the primary market. This has partly been achieved. But even the most active proponents of the technique point out that badly-priced issues will founder whatever syndication method is used.

Simon London

## NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
<b>US DOLLARS</b>							
BMW Leasing Corp	200	1996	5	7 1/2	101.45	Dresdner Bk	7.418
Credit Foncier de France	500	2002	10.167	8	99.40	JP Morgan Secs	8.085
Top Telegraph & Telephonnet	250	1996	5	7 1/4	101.255	JP Morgan Secs	8.025
Banco Overseas (Ct)	250	1994	3	(c)	100	UBS Phillips & Drew	4.250
Toyota Motor Fin Bvt	250	1994	3	6 1/2	100.2875	Merrill Lynch	6.293
Hosiden Corp	100	1995	4	4 1/4	100	Daiwa Europe	6.293
Dong-Air	22	2008	14.823	(3-6 1/2)	100	Baring Bros/Deshin	7.290
Fortis Finance NV	300	1996	5	7 1/4	101.525	JP Morgan Secs	6.293
Merrill Lynch & Co Inc	150	1994	3	7 1/4	100.585	Merrill Lynch	6.293
Sutroton Co	100	1995	4	4	100	Nomura Int	4.000
Salomon SAICM	50	1995	5	10	98.86	Lehman Bros	10.565
LYCZ Int (Ct)	50	2001	10	(c)	100.10	ATCS Asia	8.375
Fiat Finance & Trade	150	1995	5	8	101.275	Goldman Sachs	7.888
Danava Int Fin (Ct)	100	2003	12	8 1/2	100	Danava Bk Cap.Mkt.	8.375
<b>STERLING</b>							
Weiss Water	75	2002	10 1/2	10 1/4	100 1/4	Baring Bros.	10.625
<b>ECUS</b>							
Mitsubishi Matsuzaki (Ct)	300	1995	4	8 1/4	100	Nikko Secs.	6.125
Maurice	80	1995	4	8 1/4	100	Nikko Secs.	6.125
<b>CANADIAN DOLLARS</b>							
Deutsche Bk Fin.NV (Ct)	100	1996	5	9 1/4	103.185	Deutsche Bk Cap.Mkts.	8.933
Bco Mac d Comercio Ext	80	1996	5	11	99.875	Bankers Trust Int.	11.086
<b>FRENCH FRANCES</b>							
Fiat Finance & Trade	800	1995	4	9 1/2	101 1/2	Credit Lyonnais	9.158
IBM Int.Finance NV (Ct)	350	1997	5 1/2	10	104.09	CCF	8.073
SNCF	100	1998	7	zero	55.07	CCF	8.707
Deutsche Bk Fin.NV (Ct)	400	1996	4 1/2	8 1/4	99.071	BNP Capital Markets	8.987
<b>D-MARKS</b>							
Banco Nationale d'Paris	200	2001	10	8 1/4	102.66	Dresdner Bk	7.282
Credit Overseas Bk	150	2001	10	8 1/4	102 1/4	Dresdner Bk	7.282
Deutsche Finance NV (Ct)	600	1998	5	8 1/2	101.20	Deutsche Bk	8.293
IMI Bank Int	150	1998	5	8 1/2	101.70	Deutsche Bk	8.080
<b>SWISS FRANCES</b>							
Sanktan Electric Co (Ct)	100	1995	-	4 1/2	100	Credit Suisse	4.500
Credit Local de France (Ct)	100	1998	-	7 1/4	102	Bque.Paribas (Suisse)	8.772
Chun Paper (Ct)	50	1998	-	4 1/2	100	Nikko (Suisse) Fin.	4.488
AG Aikawa (Ct)	20	1995	-	7 1/4	99 1/2	DKB (Suisse)	7.217
<b>GUILLERDS</b>							
Energie Beheer Nland	500	1998	7	8 1/4	100.40	ABN Amro	8.673
<b>SWEDISH KRONOR</b>							
LB Schleswig-Holstein Fin.	300	1996	5	10 1/4	101.40	Nomura Int.	10.384
<b>PESETAS</b>							
EIB (Ct)	200n	1998	5	11.15	102.19	Bco.Bilbao Vizcaya	10.560
<b>LIRE</b>							
Credicop (Ct)	300n	2001	10 1/2	11.2	102 1/2	Is.Bco.S.Paolo d.Torino	10.773
<b>YEN</b>							
Credit National	200n	1998	7	8 1/4	101.225	Mitsui Taiyoo Kobe Bk	5.909
SBAB	30n	1998	5	8 1/4	101 1/2	Nomura Int.	5.736
Kahin Elec.Express RWay	20n	1998	8	8.65	101.40	Yamaichi Int.	6.423
<b>LUXEMBOURG FRANCES</b>							
Belgetech Fin.BV (Ct)	1.5n	1996	5	8 1/4	102.20	Bque.Paribas (Lux.)	8.888
Cra L'Industrie Lux.(Ct)	10n	1998	8	9 1/4	102.10	Cregam Int.	8.598
Accor SA (Ct)	750	1994	3	8 1/2	102.05	EGL	8.709

\*Private placement, \*Convertible, with equity warrants, \*Floating rate notes, \*Variable rate notes, \*Fixed terms, \*Exercise premium fixed at 2.5%, \*Non-callable, \*Exercise premium fixed at 2.5%, \*Non-callable, \*Coupon pays 1% over 3-month Libor, \*Non-callable, \*Fungible with existing FF100m debt, \*Non-callable, \*Put option 20/04/94 at 105 1/2% to yield 7.882%, \*Put option after 5 years to yield 7.7 1/4%, \*Fungible with existing CDS200m debt, \*Non-callable, \*H Selling concession fee - 1 1/4%, \*Non-callable, \*Fungible with existing Paoletti debt, \*Master issue, \*Non-callable, \*Amount increased from 1.5trn, \*Non-callable, \*Callible from 1/1/93 at 101% declining 1% annually, Average life 3 years, \*Coupon payable semi-annually, \*Callible once, 1/1/94, \*Coupon pays 8.88p over 8-month Libor for first 3 years, then fixed at 8% thereafter, \*Fungible with existing FF500m debt, \*Fungible with existing 1.300trn debt, \*Callible on or after 20/10/96 at par, \*Note Yields are calculated on ABB basis.

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**L D C O**

- OAT - Treasury Bonds Long End -

**L D C P**

- OAT - Treasury Bonds Short End -

**L D C Q**

- BTAN - Treasury Notes -

**L D C R**

- BTF - Treasury Bills -



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FRS Communication



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**European Bank**  
for Reconstruction and Development

**ECU 500,000,000**

**8.875% Bonds Due 1996**

MORGAN STANLEY INTERNATIONAL

CREDIT SUISSE FIRST BOSTON  
DEUTSCHE BANK CAPITAL MARKETS  
PARIBAS CAPITAL MARKETS GROUP

DAIWA EUROPE  
ISTITUTO BANCARIO SAN PAOLO DI TORINO  
SWISS BANK CORPORATION

ABN AMRO  
BANCO BILBAO VIZCAYA, S.A.  
BNP CAPITAL MARKETS  
CREDIT COMMERCIAL DE FRANCE  
DRESNER BANK  
IBJ INTERNATIONAL  
J.P. MORGAN SECURITIES LTD.  
SALOMON BROTHERS INTERNATIONAL

BANCA COMMERCIALE ITALIANA  
BANQUE BRUXELLES LAMBERT S.A.  
COMMERZBANK  
CREDIT LYONNAIS  
GOLDMAN SACHS INTERNATIONAL  
MERRILL LYNCH INTERNATIONAL  
NOMURA INTERNATIONAL  
UBS PHILLIPS & DREW SECURITIES  
S.G. WARBURG SECURITIES

October, 1991



**CANADA**

Year Stock	High	Low	Close	Chng	Year Stock	High	Low	Close	Chng	200000 Ry/Tra	High	Low	Close	Chng			
TORONTO																	
4:00 pm prices October 18																	
potatoes in cases unless marked 5																	
15000 Asalt Pk	515	510	515	15	++	5000 Laurent Pk	515	510	515	15	++	1700 Blumle & S	515	510	515	15	++
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15000 Asalt Pk	515	510	515	15	++	10000 Laurent Pk	515	510	515	15	++	1700 Blumle & S	515	510	515	15	++
15000 Asalt Pk	515	510	515	15	++	10000 Laurent Pk	515	510	515	15	++	1700 Blumle & S	515	510	515	15	++
15000 Asalt Pk	515	510	515	15	++	10000 Laurent Pk	515	510	515	15	++	1700 Blumle & S	515	510	515	15	++
15000 Asalt Pk	515	510	515	15	++	10000 Laurent Pk	515	510	515	15	++	1700 Blumle & S	515	510	515	15	++
15000 Asalt Pk	515	510	515	15	++	10000 Laurent Pk	515	510	515	15	++	1700 Blumle & S	515	510	515	15	++
15000 Asalt Pk	515	510	515	15	++	10000 Laurent Pk	515	510	515	15	++	1700 Blumle & S	515	510	515	15	++
15000 Asalt Pk	515	510	515	15	++	10000 Laurent Pk	515	510	515	15	++	1700 Blumle & S	515	510	515	15	++
15000 Asalt Pk	515	510	515	15	++	10000 Laurent Pk	515	510	515	15	++	1700 Blumle & S	515	510	515	15	++
15000 Asalt Pk	515	510	515	15	++	10000 Laurent Pk	515	510	515	15	++	1700 Blumle & S	515	510	515	15	++
15000 Asalt Pk	515	510	515	15	++	10000 Laurent Pk	515	510	515	15	++	1700 Blumle & S	515	510	515	15	++
15000 Asalt Pk	515	510	515	15	++	10000 Laurent Pk	515	510	515	15	++	1700 Blumle & S	515	510	515	15	++
15000 Asalt Pk	515	510	515	15	++	10000 Laurent Pk	515	510	515	15	++	1700 Blumle & S	515	510	515	15	++
15000 Asalt Pk	515	510	515	15	++	10000 Laurent Pk	515	510	515	15	++	1700 Blumle & S	515	510	515	15	++
15000 Asalt Pk	515	510	515	15	++	10000 Laurent Pk	515	510	515	15	++	1700 Blumle & S	515	510	515	15	++
15000 Asalt Pk	515	510	515	15	++	10000 Laurent Pk	515	510	515	15	++	1700 Blumle & S	515	510	515	15	++
15000 Asalt Pk	515	510	515	15	++	10000 Laurent Pk	515	510	515	15	++	1700 Blumle & S	515	510	515	15	++
15000 Asalt Pk	515	510	515	15	++	10000 Laurent Pk	515	510	515	15	++	1700 Blumle & S	515	510	515	15	++
15000 Asalt Pk	515	510	515	15	++	10000 Laurent Pk	515	510	515	15	++	1700 Blumle & S	515	510	515	15	++
15000 Asalt Pk	515	510	515	15	++	10000 Laurent Pk	515	510	515	15	++	1700 Blumle & S	515	510	515	15	++
15000 Asalt Pk	515	510	515	15	++	10000 Laurent Pk	515	510	515	15	++	1700 Blumle & S	515	510	515	15	++
15000 Asalt Pk	515																

## INDICES

NEW YORK DOW JONES					1991	
	Oct 18	Oct 17	Oct 16	Oct 15	HIGH	LOW
#electrics	3077.15	3063.00	3064.72	3064.57		
Home Bonds	97.55	97.25	97.24	97.97		
Transport	1287.56	1286.43	1286.06	1293.18		
Utilities	214.76	214.51	214.88	214.65		
1981 Since compilation HIGH LOW HIGH LOW 3077.15 2403.00 3077.15 41.22 97.55 97.25 97.24 97.97 1287.56 99.29 1286.06 99.29 214.76 194.17 214.88 194.17 114.9 114.9 114.9 114.9						
1991 High 3069.65 1997.15 Low 3045.62 1007.00						
STANDARD AND POOR'S Composite 392.50 391.92 392.80 391.01 Industrials 464.80 464.13 464.86 462.40 Financial 51.83 51.74 51.75 51.84 NYSE Composite 216.15 215.81 216.05 214.90 Amex Midl. Value 382.49 382.11 381.93 376.94 NASDAQ Composite 536.90 536.00 534.94 534.11						
Dow Industrial Dtl. Yield 3.16 3.12 3.08 4.23 S & P Industrial Dtl. Yield 3.10 3.09 3.02 year ago (approx.) S & P Ind. Yld. Yield 2.69 3.24 2.74 5.59 S & P Ind. Yld. Yield 21.44 20.53 21.14 14.15						
NEW YORK ACTIVE STOCKS Friday Volume traded 5,242,600 28% Date Final 4,280,900 36 Sales 3,514,500 26 Sales 3,245,500 114 Break 3,011,700 27% Yield 30.050 73% Yield 30.050 73%						
TRADING ACTIVITY Volume Millions Oct 18 Oct 17 Oct 16 New York SE 204,830 202,780 225,010 Amex 14,170 15,180 18,745 NASDAQ 212,126 226,842 223,332 NYSE Issues Traded 2,122 2,130 2,134 Issues 777 775 775 Issues 775 775 775						
AUSTRALIA All Index (12/80) 1617.6 1617.5 1591.4 1585.5 All Index (12/80) 1617.6 1617.5 1591.4 1585.5 AUSTRALIA All Index (12/80) 1617.6 1617.5 1591.4 1585.5 All Index (12/80) 1617.6 1617.5 1591.4 1585.5 BELGIUM All Index (12/80) 1103.77 1107.38 1105.65 1105.51 All Index (12/80) 1103.77 1107.38 1105.65 1105.51 DENMARK All Index (12/80) 379.26 357.80 358.15 358.45 All Index (12/80) 379.26 357.80 358.15 358.45 FINLAND All Index (12/80) 847.5 853.5 853.2 848.6 All Index (12/80) 847.5 853.5 853.2 848.6 GERMANY All Index (12/80) 491.70 491.76 492.27 489.87 All Index (12/80) 491.70 491.76 492.27 489.87 GERMANY All Index (12/80) 639.82 639.90 639.93 635.76 All Index (12/80) 639.82 639.90 639.93 635.76 GERMANY All Index (12/80) 1882.3 1882.2 1882.1 1885.04 All Index (12/80) 1882.3 1882.2 1882.1 1885.04 GERMANY All Index (12/80) 1553.25 1554.34 1554.11 1595.04 All Index (12/80) 1553.25 1554.34 1554.11 1595.04 GERMANY All Index (12/80) 491.70 491.76 492.27 489.87 All Index (12/80) 491.70 491.76 492.27 489.87 GERMANY All Index (12/80) 639.82 639.90 639.93 635.76 All Index (12/80) 639.82 639.90 639.93 635.76 GERMANY All Index (12/80) 1882.3 1882.2 1882.1 1885.04 All Index (12/80) 1882.3 1882.2 1882.1 1885.04 GERMANY All Index (12/80) 1553.25 1554.34 1554.11 1595.04 All Index (12/80) 1553.25 1554.34 1554.11 1595.04 GERMANY All Index (12/80) 491.70 491.76 492.27 489.87 All Index (12/80) 491.70 491.76 492.27 489.87 GERMANY All Index (12/80) 639.82 639.90 639.93 635.76 All Index (12/80) 639.82 639.90 639.93 635.76 GERMANY All Index (12/80) 1882.3 1882.2 1882.1 1885.04 All Index (12/80) 1882.3 1882.2 1882.1 1885.04 GERMANY All Index (12/80) 1553.25 1554.34 1554.11 1595.04 All Index (12/80) 1553.25 1554.34 1554.11 1595.04 GERMANY All Index (12/80) 491.70 491.76 492.27 489.87 All Index (12/80) 491.70 491.76 492.27 489.87 GERMANY All Index (12/80) 639.82 639.90 639.93 635.76 All Index (12/80) 639.82 639.90 639.93 635.76 GERMANY All Index (12/80) 1882.3 1882.2 1882.1 1885.04 All Index (12/80) 1882.3 1882.2 1882.1 1885.04 GERMANY All Index (12/80) 1553.25 1554.34 1554.11 1595.04 All Index (12/80) 1553.25 1554.34 1554.11 1595.04 GERMANY All Index (12/80) 491.70 491.76 492.27 489.87 All Index (12/80) 491.70 491.76 492.27 489.87 GERMANY All Index (12/80) 639.82 639.90 639.93 635.76 All Index (12/80) 639.82 639.90 639.93 635.76 GERMANY All Index (12/80) 1882.3 1882.2 1882.1 1885.04 All Index (12/80) 1882.3 1882.2 1882.1 1885.04 GERMANY All Index (12/80) 1553.25 1554.34 1554.11 1595.04 All Index (12/80) 1553.25 1554.34 1554.11 1595.04 GERMANY All Index (12/80) 491.70 491.76 492.27 489.87 All Index (12/80) 491.70 491.76 492.27 489.87 GERMANY All Index (12/80) 639.82 639.90 639.93 635.76 All Index (12/80) 639.82 639.90 639.93 635.76 GERMANY All Index (12/80) 1882.3 1882.2 1882.1 1885.04 All Index (12/80) 1882.3 1882.2 1882.1 1885.04 GERMANY All Index (12/80) 1553.25 1554.34 1554.11 1595.04 All Index (12/80) 1553.25 1554.34 1554.11 1595.04 GERMANY All Index (12/80) 491.70						


537	485	Kon
193	193	BP

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# CURRENCIES, MONEY AND CAPITAL MARKETS

## MONEY MARKETS

### US rate speculation comes to the fore

Speculation about the likelihood of a reduction in US interest rates returned to dominate the foreign exchange markets last week and pushed the dollar higher. The Group of Seven industrial nations were attempting a revaluation of the yen.

The dollar gave up its gains and by Friday was back in the range it has traded in for much of the last three months. There have been many false dawns about a cut in US interest rates so far this year.

But this time there seems to be greater pressure from international markets for lower US rates. France cut its intervention rate by 10 points to 8.75 per cent on Thursday. Japanese call money rates have been heading lower and there is a widespread belief that rates will soon fall.

However, interest rates are not falling everywhere. Inflation worries are keeping Swiss and German rates firm, while the recent weakness in sterling is preventing an early cut in the UK.

Easier monetary policy in the US might weaken the dollar further. But, if other countries follow the US, the impact on the dollar might eventually be neutral.

## £ IN NEW YORK

Oct 18	Oct 19	Oct 20	Oct 21
1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270

## STERLING INDEX

Oct 18	Oct 19	Oct 20	Oct 21
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00

## OTHER CURRENCIES

Currency	Oct 18	Oct 19	Oct 20	Oct 21
Australia	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Canada	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
France	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Germany	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Italy	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Japan	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Netherlands	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Spain	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Sweden	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Switzerland	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
UK	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
US	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270

## CHICAGO

Commodity	Oct 18	Oct 19	Oct 20	Oct 21
Oil	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Gold	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Silver	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Copper	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Platinum	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Palladium	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Nickel	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Zinc	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Lead	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Aluminum	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Iron Ore	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Steel	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270

## FT ACTUARIES WORLD INDICES

Index	Oct 18	Oct 19	Oct 20	Oct 21
US	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
UK	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Germany	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
France	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Italy	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Japan	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Netherlands	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Spain	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Sweden	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Switzerland	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
UK	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
US	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270

## FT ACTUARIES WORLD INDICES

Index	Oct 18	Oct 19	Oct 20	Oct 21
US	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
UK	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Germany	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
France	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Italy	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Japan	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Netherlands	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Spain	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Sweden	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Switzerland	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
UK	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
US	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270

## FT ACTUARIES WORLD INDICES

Index	Oct 18	Oct 19	Oct 20	Oct 21
US	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
UK	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Germany	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
France	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Italy	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Japan	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Netherlands	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Spain	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Sweden	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Switzerland	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
UK	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
US	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270

## FT ACTUARIES WORLD INDICES

Index	Oct 18	Oct 19	Oct 20	Oct 21
US	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
UK	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Germany	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
France	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Italy	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Japan	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Netherlands	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Spain	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Sweden	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
Switzerland	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
UK	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
US	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270

## POUND SPOT - FORWARD AGAINST THE POUND

Oct 10	Oct 11	Oct 12	Oct 13	Oct 14	Oct 15	Oct 16	Oct 17	Oct 18	Oct 19	Oct 20	Oct 21
1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270

## POUND SPOT - FORWARD AGAINST THE POUND

Oct 10	Oct 11	Oct 12	Oct 13	Oct 14	Oct 15	Oct 16	Oct 17	Oct 18	Oct 19	Oct 20	Oct 21
1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270

## POUND SPOT - FORWARD AGAINST THE POUND

Oct 10	Oct 11	Oct 12	Oct 13	Oct 14	Oct 15	Oct 16	Oct 17	Oct 18	Oct 19	Oct 20	Oct 21
1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270

## POUND SPOT - FORWARD AGAINST THE POUND

Oct 10	Oct 11	Oct 12	Oct 13	Oct 14	Oct 15	Oct 16	Oct 17	Oct 18	Oct 19	Oct 20	Oct 21
1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270
1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270	1.7260-1.7270

## POUND SPOT - FORWARD AGAINST THE POUND

Oct 10	Oct 11	Oct 12	Oct 13	Oct 14	Oct 15	Oct 16	Oct 17	Oct 18	Oct 19	Oct 20	Oct 21
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49	WABC-TV	28.9	10	28.9	10	28.9	10
50	WABC-TV	28.9	10	28.9	10	28.9	10
51	WABC-TV	28.9	10	28.9	10	28.9	10
52	WABC-TV	28.9	10	28.9	10	28.9	10

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The following changes have been made to the FT Share Information Service:  
**Additions:**  
 All Nippon Airways (Section:  
 Transport)  
 Alpine Warrants (Food)  
 Dean & Bowes (Industrial)  
 Lowndes Lambert (Insurance)  
**Deletions:**  
 Centway Trust (Finance, Land)  
 Forwell (Industrial)  
 Handley Welker (Finance, Land)  
 Renaissance Holdings Ord.  
 Warrants (Finance, Land)  
 Sheraton Securities (Property)

Warrior Industries (Finance, Land)



## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

**Continued on next page**



**NASDAQ NATIONAL MARKET**

4:00 pm prices October 16

[illegible]

## 4:00 pm prices October 16

[illegible]

## EXPORT FINANCE

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## ET SURVEYS



## MONDAY PROFILE

## Sultan of Soviet change

Leyla Boulton on Nursultan Nazarbayev, president of Kazakhstan

It is no accident that when Mrs Margaret Thatcher's aircraft needed refuelling on a recent flight to Tokyo, the former UK prime minister chose to do it in the Soviet republic of Kazakhstan. Or that when Mr James Baker, the US secretary of state, last week wanted to congratulate a Soviet politician for trying to hold the union together, he called Kazakhstan. As for Mr Hans-Dietrich Genscher, the German foreign minister, he was there only the other day.

The object of their interest was the same: the republic's president, Mr Nursultan Nazarbayev, who begins an official visit to Britain next Monday.

After that, he will fly to Brussels to meet Mr Jacques Delors, president of the European Commission. President Nazarbayev - whose first name means 'lucky sultan' - is one of the most sought-after leaders in the Soviet Union. First, he is the only republican politician who wholeheartedly favours preserving a political and economic union. Second, he is one of the first leaders to embrace and introduce market reform. Third, he runs a republic rich in natural resources, including oil, gas and precious metals, and one which contains a vast nuclear arsenal.

Mr Nazarbayev, a former metallurgy worker, still clearly relishes his rise to fame over the past year as one of the three most important men in the Soviet Union - after Presidents Boris Yeltsin and Mikhail Gorbachev.

But it is almost as if he cannot quite believe it. Speaking softly, in barely audible Russian, President Nazarbayev recently started a news conference arranged to publicise his visit to Britain by thanking journalists for their interest in him. The Kazakh president, displaying both shyness and vanity, said he hoped his five-day visit, at the invitation of Mr John Major, the prime minister, would promote a new era of co-operation between Kazakhstan and Britain, and lots of business, with a particular emphasis on exploiting the republic's natural resources.

As if to underline his attachment to the survival of a Soviet state, President Nazarbayev said he would also deliver a special message to Britain from Mr Gorbachev. Mr Nazarbayev, as leader of the Soviet Union's second-largest republic, has indeed come a long way in his climb up the Communist party ladder to republican party chief and finally the presidency of Kaz-

akhstan. Sporting a large gold watch and foreign black leather shoes, he looks every bit the new-generation Soviet leader, a man with whom the west can "do business". Although he shares a similar Communist party background to that of Messrs Yeltsin and Gorbachev - men a decade older than he - Mr Nazarbayev has been quicker in dropping their common ideological baggage.

"His success reflects the paradoxes of our times," says Mr Vladimir Ardayev, the Alma Ata correspondent for Izvestiya newspaper. "His big advantage is his ability to change; he is not a static politician."

Undoubtedly, Mr Nazarbayev has benefited from the patronage of corrupt old Communist leaders during his successful party career. Yet he was one of the first communists to support Mr Gorbachev's sacking of the old guard in Kazakhstan in the early days of perestroika. More recently, he emerged as a consistent advocate of economic and constitutional reform who tried hard to mediate between Mr Gorbachev and Mr Yeltsin while their power struggle was paralysing the rest of the country.

Having played a leading role in the republic's campaign to wrest real power from the centre - a goal completed by the abortive August coup - Mr Nazarbayev is now busy trying to salvage a revamped confederation from the wreckage of the old Soviet Union.

His republic was one of the few not to have declared independence after the coup. It has good reason to shy away from the nationalist which has inspired independence declarations by other republics.

Kazakhstan form a minority in their own republic, with Russians and other non-Kazakh groups making up 60 per cent of the population. Playing the nationalist card could spell war in the republic, while Mr Nazarbayev says that the nominal Muslim identity of Kazakhstan makes them a prey for Islamic fundamentalist propaganda.

"Islamic fundamentalists are trying hard to infiltrate the central Asian republics in particular," he said. "They have not succeeded in Kazakhstan although I and other Kazakhs consider ourselves Muslims." Taking no chances, he keeps a nascent nationalist/Muslim opposition, which wants a Kazakhstan for Kazakhs, on a tight leash. He is also wary of latent imperial reflexes in neighbouring Russia.

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'All our difficulties come from poverty'

sia's statement after the abortive coup that it reserved the right to revise borders with neighbouring republics, and disappointed by its attempt - subsequently foiled - to take over all-union institutions such as the country's main bank for foreign trade. Despite public displays of friendship with Mr Yeltsin, one reason he wants to keep nuclear weapons on Kazakhstan is so that Russia cannot pressure its neighbours.

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## Mr Bush's economic figleaf



MICHAEL PROWSE on America

The American psyche is active and impatient. It is thus no surprise that President George Bush and Republican congressional leaders are working up a package of fiscal incentives, including cuts in capital gains taxes. Democrats, also keen to revive the flagging economy, are talking about tax cuts for working families. In the run-up to a presidential election next year, neither party wants to leave economic management to the Federal Reserve.

In political terms, a "growth package" makes good sense. Historically, voters have always been sensitive to economic conditions. The election victories of Franklin Roosevelt in 1932, John Kennedy in 1960 and Ronald Reagan in 1980 were all partly fuelled by prior recessions. On each occasion, the opposition party wrested control of the White House for a prolonged period.

Mr Bush does not face opposition of this calibre. But, after three years, he is naturally concerned that voters may cease to associate Republican policies with economic prosperity. Having just vetoed a Democrat bill to extend unemployment benefits, he is also anxious not to appear indifferent to the human costs of recession.

The growth package is less a coherent strategy than a rag-bag of fiscal wheezes popular among conservatives. In addition to capital gains tax cuts, the wish list includes incentives for individual retirement saving, tax credits for research and development, subsidies for investment in depressed regions, and tax breaks for first-time home owners.

Democrats have previously blocked capital gains tax cuts on the grounds that most of the benefits go to the rich. But Republicans hope the economy's sluggishness has shifted the terms of the debate: if people believe capital gains tax cuts will create jobs and growth, they may stop worrying about fairness.

Marketed adroitly, the package could have political value. But in economic terms it is a fig leaf. After a decade of excessive public borrowing, Mr Bush faces an inescapable fi-

cal dilemma. If he sticks to last year's budget accord, the measures must be "revenue neutral". This means any tax cuts must be offset by tax increases or spending cuts. In the short run, such a reshuffling of revenue will not increase overall purchasing power and is likely to have only a marginal impact on economic growth.

If, on the other hand, Mr Bush abandons the budget agreement, a net fiscal stimulus is feasible - but almost certainly foolhardy. It would result in an even larger budget deficit than the \$360bn forecasted for next year, while undermining fiscal discipline in future years. Such blatant electioneering would risk a collapse of confidence in financial markets. Bond yields would probably rise sharply, discouraging corporate investment and aborting the fragile housing recovery.

Like it or not, Mr Bush's room for manoeuvre is strictly curtailed. He can press for tax reforms that would enhance longer-term growth prospects: reductions in capital gains levies may fall into this category. But thanks to Mr Reagan's fiscal irresponsibility - which tripled the US national debt - he cannot offer a credible short-term stimulus. His capricious tax cuts big enough to make a real difference.

Does this matter? On the face of it, last week's economic data were alarming, pointing to stagnation rather than economic recovery. Hopes of an early cut in interest rates were dashed by a 0.4 per cent jump in last month's consumer price index, double the increase expected in financial markets.

Production and trade figures, meanwhile, added credence to claims that the infant recovery is running out of steam. Industrial output was flat in August and September after sharp increases earlier in the summer. Exports, previously a pillar of strength, fell, prompting a sharp increase in the trade deficit. Housing starts declined.

The economic outlook is not bright, but it may soon begin to look less grim than these figures imply. Public confidence is likely to be lifted later this month when the Commerce Department releases its "flash" estimate of third-quarter gross national product. Most economists are expecting growth at an annual rate of 2 per cent to 3 per cent. GNP is expected to rise mainly because companies have stopped liquidating stocks, thus removing a serious drag on output. Measures of consumption and output were also relatively strong at the start of the period.

An increase in third-quarter GNP will not necessarily indicate sustainable growth. But after three successive quarterly falls in GNP, it should greatly ease the White House's public relations battle. Statistical changes will also help. In November, the Commerce Department will reflect changes in the composition of output by adopting 1987 as its base year for GNP price indices rather than 1982. Measured in 1982 prices, GNP fell at an annual rate of 0.5 per cent in the second quarter. But 1987 prices will show an increase of 0.4 per cent. The new data should thus indicate that the economy has been growing for two quarters.

Growth may now be decelerating, but few economists yet expect renewed contraction in the final months of the year. Rather than reopening an acrimonious debate about capital gains taxes, the White House's wisest course may be simply to wait for its long-standing forecast of sluggish growth to be vindicated. In the short run, the Republican party has no more control over the US economy than King Canine had over the tides.

## PERSONAL FILE

1940 Born in Chamoigan, Kazakhstan.

1960 Begins work at Karaganda metallurgical combine; qualifies as engineer.

1969 Embarks on career as Communist party official.

1984 Appointed prime minister of Kazakhstan.

1988 Elected first secretary of Kazakhstan's Communist party.

1990 Economics degree from Moscow university.

1990 Elected president of Kazakhstan by parliament.

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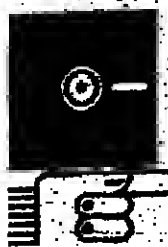
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# CABLE & SATELLITE BROADCASTING

SECTION III

Monday October 21 1991



An ever increasing array of television channels is on offer to viewers via satellites and urban

cable networks. The trend coincides with intense competition to supply audiences with television pictures of unprecedented clarity, writes Raymond Snoddy

## A palace of varieties

CABLE and satellite television is providing an amazing diversity of programmes and services around the world while at the same time starting to build significant communication businesses.

In the US, Time Warner, the world's largest media company, is planning to start building the first 150-channel cable television service in New York's Bronx bringing new levels of programme choice to American cable subscribers.

In the Far East, HutchVision, a joint venture between the Asian commercial conglomerate Hutchison Whampoa and a company controlled by Hong Kong businessman Li Ka-shing and his family, has already launched a new satellite service broadcasting to 38 Asian countries. The project, STAR TV, has already launched sport and music channels through co-operative ventures with the US sports network Prime Network International and MTV, the pop music channel owned by Viacom of the US.

The service will also feature a 24-hour a day news service from BBC World Television News plus a Chinese channel and a channel devoted to family entertainment.

In the UK, the merger last November of Mr Rupert Murdoch's Sky Television and British Satellite Broadcasting to create BSkyB has consolidated the position of satellite television. Losses have been reduced from a joint £11m a week at the time of the merger to around £1.5m now at the operational level.

Meanwhile the number of UK homes with satellite dishes has continued to increase at a rate of more than 60,000 a month and the total number of homes with their own dishes might just manage to top 2m by the end of the year.

The driving force of BSkyB has been its two subscription film channels offering straight entertainment.

But the new media of communications encompass enormous variety from the very general to the particular and precise. Super Channel, for instance the pan-European channel, broadcasts entertainment and news to more than 43m households across Europe.

Other specialist channels are targeted at ethnic minorities across Europe, whether Japanese or Asian.

Videotron, the Quebec-based cable television company with franchises covering large areas

of south and West London, has even started offering its Arabic speaking customers Egyptian television brought in by satellite. The company is also exploring the possibility of picking up off-air on the Welsh coast the channels of RTE, the Irish national broadcaster, and relaying them to cable networks in cities such as Birmingham and London where there are sizeable Irish communities.

Satellites are being used for even more more pin-point accuracy. British Aerospace, which has a special satellite licence from the British Department of Trade and Industry, has started linked 38 postgraduate medical centres throughout the UK. The service allows interactive teleconferencing between students and leading experts in particular fields of study. The first of the fortnightly sessions broadcast from the Royal Society of Medicine in London looked at the benefits of hormone replacement treatment in preventing osteoporosis (brittle bones) in women.

Cable and satellite are already important businesses in Europe but, according to a study by CIT Research, the communications research group, losses are still bigger than profits.

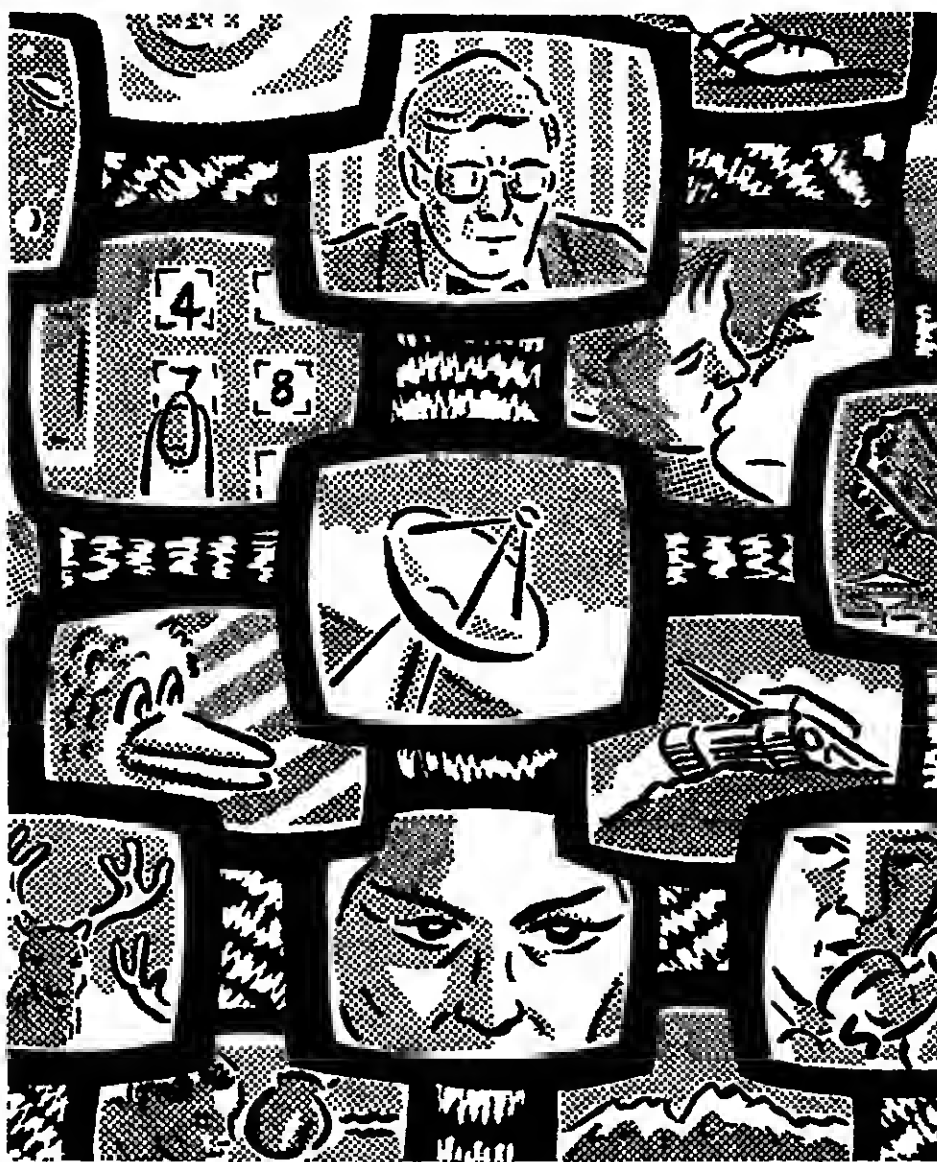
Satellite television, according to CIT, had total revenues of £2.1bn last year but with the exception of the RTL Plus and Satt channels - both of which are broadcast conventionally as well as by satellite - most programmers lost money.

Sales of dish receivers rose by 97 per cent to £1.13bn with sales in Germany equaling those in the UK.

CIT found that cable television had become an £2.9bn a year business and was beginning to follow in the footsteps of the US as large multiple systems operators began to emerge.

In the UK, cable is showing considerable signs of life after achieving little growth over the past five years.

Nearly two thirds of Britain is now covered by 135 franchises and a considerable consolidation is taking place with major North American players consolidating their position and buying up the franchises



of those who do not have the money to build the networks or buying out minority partners.

The main thrust of development is coming from four Baby Bell US telephone companies - Pacific Tele, Nynex, US West and Southwestern Bell - and a group of cable operators such as Videotron and United Artists Cable.

Apart from having both the resources and the ability to take the long term view, most of the major players have

launched, or are planning, telephone services in addition to the more conventional television channels.

An improvement in the range and diversity of cable channels has also been an important factor in improving, however modestly, cable television penetration rates - the ratio between those who have cable television available in their areas and those who actually subscribe. The choice of channels is never likely to be as great as in the US where the

market to sustain choice is so much greater.

The progress has been painfully slow. By the beginning of July cables had been laid adjacent to more than 1m homes of which 191,610 had become subscribers. Over the previous year the penetration level had only increased from 16 per cent to just over 18 per cent.

Several developments are under way which should strengthen that choice. There are plans, for instance, to link all the 24 franchises of London

so that programmes can be exchanged. Such a link would enable the main franchise holding companies of London to co-operate on providing a strong local channel for the metropolis.

Such links should also help increase the market for advertising on cable. At present, satellite channels can only carry national advertising. Such a channel could in future be recorded off the satellite and then distributed around the London link after local advertising had been inserted.

New channels being planned include one for the black community in the UK, a public affairs channel to relay live the debates in Parliament and a Leisure Channel, a videolike delivered educational channel due to start at the beginning of this month. The launch has been postponed, however, because of disagreements between the channel's backers, Coventry Cable, Yorkshire Television and Encyclopaedia Britannica.

Technology does seem to be taking the new media in the direction of more and more choices if the business structures can be created to pay for them.

Digital compression technology should make it possible in a few years to squeeze four channels in the bandwidth now occupied by one. Mr Rupert Murdoch was exploring how his Sky Cable project might be able to broadcast more than 100 channels from a single satellite system. The recession and News Corporation's debt mountain pushed this project on to the back burner.

But fibre optic cables could yet bring the limitless channel capacity the early cable visionaries hoped for. Fibre optic cables using glass threads as thin as a human hair to carry channels of television are already economic for providing the main trunk routes of the network but not yet cheap enough for the last link into individual homes.

Some specialists believe this final stage is only a few years off and that a potentially limitless number of television channels, telecommunications and interactive services such as individual movies on demand would become widely available.

### IN THIS SURVEY



A European Ariane vehicle being launched in French Guiana last year

JAPAN: high definition televisions fight for supremacy

HDTV: the rest of the world looks on

EUROPE: satellite rivals compete over standards

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BRITAIN: the cable market finally stirs

GERMANY: land of the unstoppable "Kabel-Boom"

FRANCE: Gulf war was the viewers' turning point

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SKY BROADCASTING: return of the comics

PHONEY WAR: TV cable companies eye their next UK target - the telephone

Page 6

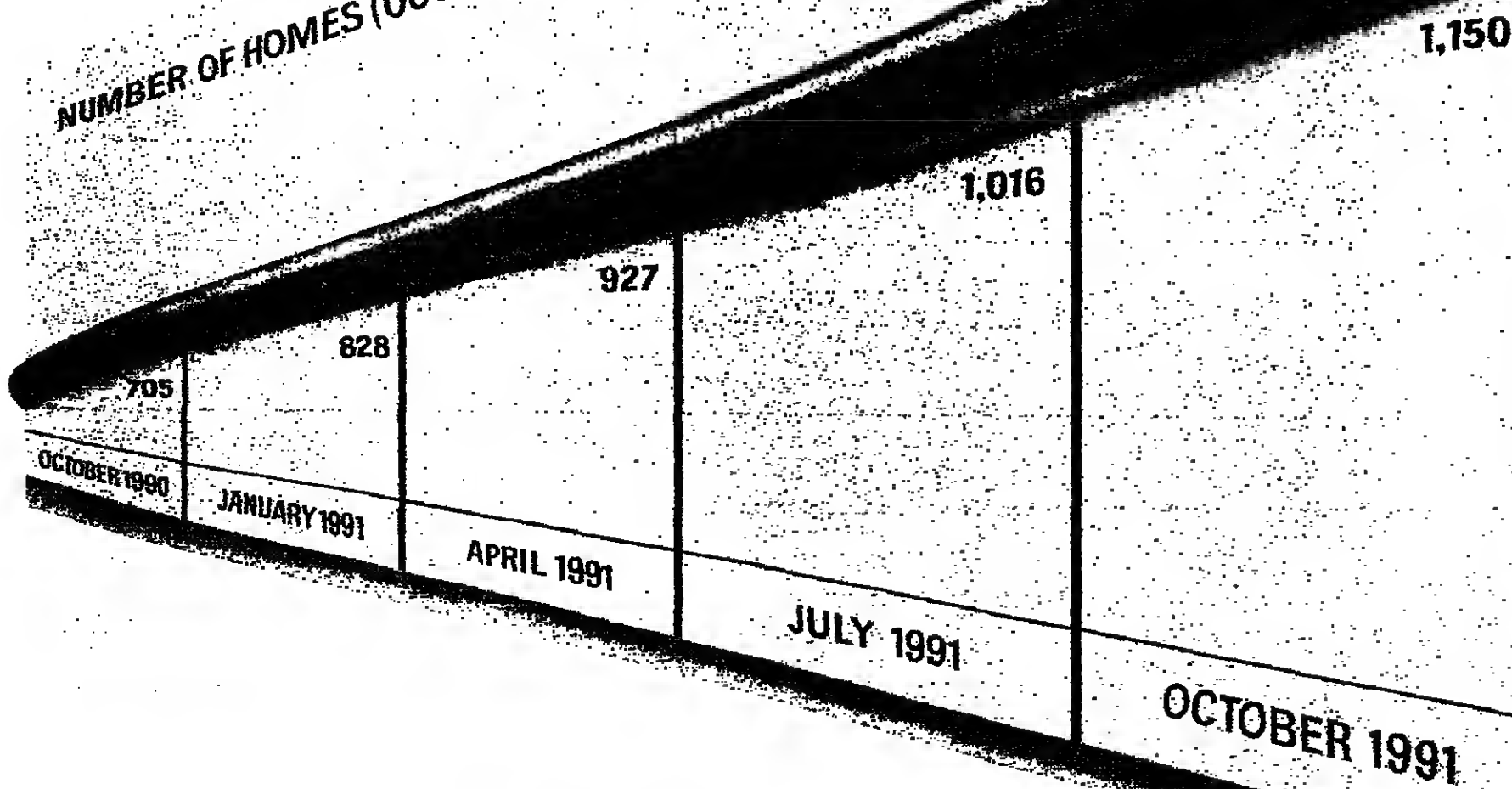
WHAT TO SEE: programme choice puts quantity before quality

Page 6

Illustration by John Batten

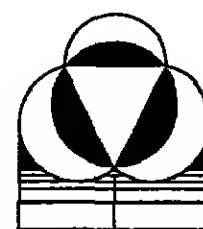
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- ☐ Cable television companies are bringing competitive telephone services to both business and residential customers with some 12,000 lines in service today.
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For further information, please contact Simon Bond on 071-222 2900.



THE CABLE TELEVISION ASSOCIATION

The Fifth Floor, Artillery House, Artillery Row, London SW1P 1RT.



## CABLE AND SATELLITE BROADCASTING 2

Cable and satellite channels strive for Japanese supremacy, writes Neil W. Davis

## A battle between heaven and earth

TELEVISION addicts throughout Japan are getting access to more channels. All major cities now have cable TV services, and the Ministry of Posts and Telecommunications recently said that five satellite broadcasting channels will be added by 1997, up from three today.

By 1997, high-definition television (HDTV) broadcasting is likely to be popular throughout the archipelago. If all goes well with the BS-4 series of broadcasting satellites most Japanese households will eventually receive HDTV signals from orbiting relay stations.

Competing against the satellite broadcasting industry are Japan's cable television companies. Due to strict regulations they specialise in specific areas or parts of major cities.

For example, Tokyo Cable Television Co., an affiliate of the Tokyo Cable group, offers services in the area served by commuter railway lines of the parent company - southern Tokyo, Kawasaki, and parts of Yokohama.

Cable television charges in Japan are not expensive. Tokyo Cable charges 65,500 yen for a basic contract and installation fees needed for service hook-up, and the monthly charge for a single TV is about

4,000 yen. A total of 32 channels are available through Tokyo Cable, including sports channels, CNN, and a children's channel.

Other major cable broadcasters include Tokyo Cable Network, All Kansai Cable Television in Osaka, and Fukuoka Cable Vision, which serves the largest city on the southwestern island of Kyushu. Cables are typically strung along with local telephone lines.

Companies diversifying into the satellite broadcasting arena include those in electronics and general trading fields. For example, Hitachi and Nishio Iwai in late September set up a company called Japan Spacelink for production and relaying of video programmes and other satellite-related services. The company will initially use circuits supplied by Japan Communications Satellite which is owned by C. Itoh & Co., Mitsui & Co., and Hughes Communications.

All of Japan's "Big Six" trad-

ing companies and the leading dozen electronics concerns own shares of Japan Satellite Broadcasting (JSB), which operates WOWOW, the nation's first private satellite broadcasting channel.

"WOWOW carries no commercial advertisements, and

Eventually, most Japanese homes will receive high definition signals from orbiting relay stations

specialises in movies," explains Tamamitsu Kuwata, a member of the board at JSB. Subscribers to WOWOW, at about 500,000, exceed 10 times the number of the most popular cable channel, called Star Channel.

Nishio Iwai is collaborating with two other trading companies, Sumitomo and Marubeni as well as Sony and two leasing companies as owners of

Satellite Japan. Reichi Yoshimoto, president of Satellite Japan, said it is buying two communications satellites in part to meet the surging demand from both programme suppliers to cable television operators and the broadcast networks for satellite relaying. Its two 34-transponder satellites are slated for launch in mid and late 1994.

Influential backers of satellite broadcasting are Japan Broadcasting (NHK), which is affiliated with the government, and the immense number of electronics companies selling small dish antenna sets used for receiving such signals.

Over a dozen companies produce and sell such dish antennas, and major advertising campaigns tout the advantages of buying the sets, whose prices have fallen dramatically. More than 3.5m TV-reception dishes are now installed, according to JSB's Kuwata. Electronics companies expect

many years of sales growth.

However, Japan's satellite broadcasting industry has got off to a precarious start. The BS-3a satellite, orbited in August 1990, suffered a solar paddle malfunction, which partially crippled its power supply. Two similar would-be backup satellites - BS-3b and BS-3c - were lost last year and earlier this year aboard ill-fated Ariane and Atlas-Centaur launch vehicles.

About 12 cable TV companies were hurt by the loss last year of the Superbird A communications satellite, owned by Space Communications, a Mitsubishi group company. Because the spacecraft had no backup (Superbird B never reached orbit), cable TV and programme suppliers had to switch to rival satellite operator, Japan Communications Satellite.

Launched on August 25, 1991 by the National Space Development Agency of Japan (NASDA), BS-3b carries the

hopes of the nation's satellite broadcasting industry. Two of BS-3b's three regular channels are reserved for NHK while Japan Satellite Broadcasting gets to use the other. The satellite, which also has back-up transponders, is operated by Telecommunications Satellite

NHK plans to install about 1,000 large HDTV screens in public places across the country

of Japan, which is controlled by the government. Because of the requirement that the BS-3 series be orbited by NASDA's H-I launch vehicle, the satellites are small, at just 560 kilograms.

Kuwata at JSB says that starting in late November, BS-3b will broadcast eight hours of H-I-Vision format HDTV programming, on a test basis, compared with the pres-

ent intermittent one hour test broadcasting using the older satellites.

Japanese citizens can buy HDTV sets to receive such programmes. However, at starting prices exceeding 3.5m yen most HDTVs now in use are owned by museums, hotels, and companies. By the middle of next year, such HDTVs, with screens no smaller than about 36-40 inches, will be available at around 2m yen, due to progress in decoding equipment, according to officials at Fujitsu. Nevertheless, an HDTV package price of around 600,000 yen is needed to catch on with the masses. Some industry analysts say that can be achieved within three years. Others are less sure.

To help popularise the concept of HDTV satellite broadcasting, NHK plans to install about 1,000 large sets in public places throughout the country to feature the Barcelona Olympic games next summer.

If Japan's heavyweight con-

sumer electronics companies can achieve at home a "first wave" of commercial HDTV set production and sales in the period of 1994-96, they will be well positioned in global markets. They will possess the capacity to mass produce sets in any format, not just the technically inferior H-I-Vision format favoured by NHK.

An American aerospace company will probably build Japan's next series of BS-type satellites, the much-larger BS-4 units. Many US microchip companies are already working together with the Japanese on intricate HDTV decoding equipment for home-use tuners. The BS-4 satellites will feature at least eight regular-use channels, and Japan's second-generation of privately owned communications satellites, to appear in the late 1990s, may carry powerful direct-broadcasting transponders.

A study released this month by Motorola's semiconductor sector in Arizona states that "Japan will be the largest market in the world for HDTV for the next 10 years or more". The study points out many reasons for this projection, including large disposable incomes, high literacy, and because the whole nation can be covered by one broadcasting satellite.

Michael Skapinker on the fight for the next generation

Christopher Price on the bruising duel between rival systems

## The world looks to Japan

IN THE sweltering heat of late August, thousands of Germans, French and West Europeans crowded into a Berlin exhibition centre to see the latest offerings of the world consumer electronics industry.

There were presentations of systems for storing family photographs on compact discs and of digital recording tapes. Companies such as Philips of the Netherlands and Sony of Japan are battling to provide the standard for the next generation of audio tape. Kodak of the US and Philips have joined forces to defeat the Japanese in digitally recorded photographs.

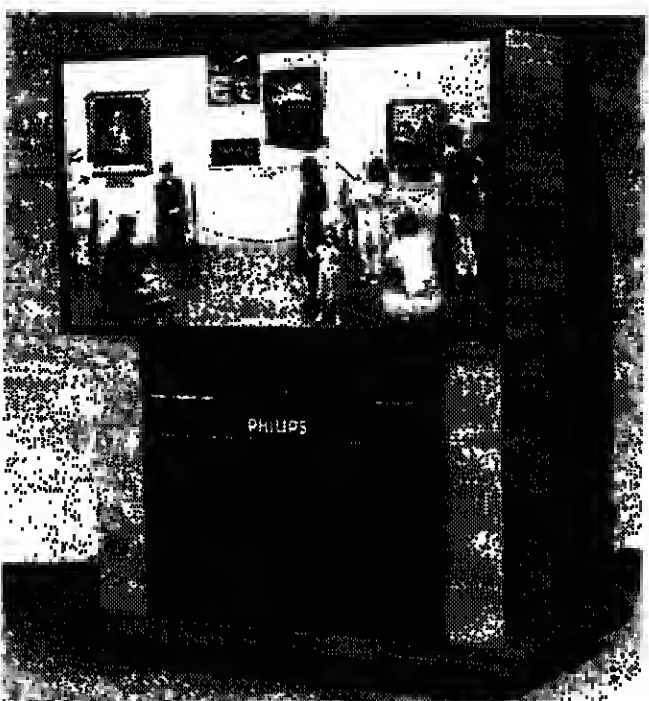
But pride of place went to the television sets, with banks of screens showing clearer and wider pictures. All the large players agree that it is television that will decide the outcome of the international consumer electronics contest.

One way or another, the next decade will bring us clearer and sharper television pictures. The system on which those pictures should be based is, however, the subject of intense lobbying and intrigue involving companies, regulatory authorities and governments.

The Japanese consumer electronics industry has historically come late to new technologies, but has then adapted and manufactured them brilliantly. The story has been different in the case of clearer television pictures in that the Japanese have been working on it longer than anyone else.

The Japanese began developing a high definition television (HDTV) system 20 years ago. By more or less doubling the number of horizontal lines on screen they hoped to produce clearer pictures than any seen before. By 1989, NHK, the Japanese broadcasting organisation, was ready to start transmitting an hour of HDTV a day to sets in public places and department stores around Japan.

The US television-making industry was, in the meantime, succumbing to the ravages of Far Eastern competition and the acquisition of some of its best-known brands by European companies such as Thomson of France. European companies such as Philips and



Philips HDTV: refining the visual quality

Thomson gained a respectable share of the world television market but failed to match the Japanese in developing HDTV.

In the mid-1990s, that began to change. At the plenary meeting of the International Radio Consultative Committee in Dubrovnik in 1986, the Europeans managed to prevent the Japanese HDTV standard being imposed on the rest of the world. The Japanese standard has 1,125 horizontal lines. Japanese conventional sets have 525 lines, as do TVs in the US, while European sets have 625 lines. As 1,125 is not a simple multiple of either 525 or 625, adoption of the Japanese standard would have meant television owners worldwide would have had to buy new sets.

Instead, the Europeans proposed an HDTV system with 1,250 lines. As this is exactly double the number of lines currently used, owners of existing sets would be able to watch the new high definition programmes on their old TVs, although without the benefit of the clearer pictures. The European companies argued that the move from conventional to

high definition television would then be as painless for the consumer as the transition from black and white to colour.

The system developed by the Europeans was based on a standard called Mac. In 1986, a European Community directive specified that all satellite broadcasts had to use the Mac system. The directive did not, however, apply to lower-powered telecommunications satellites - an omission that was to have a damaging impact on Mac's prospects. The Astra satellite fell outside the directive's remit, allowing broadcasters like Rupert Murdoch's Sky Television to transmit programmes in PAL, the system currently in use in the UK and several other European countries.

The satellite broadcasting directive expires at the end of the year. TV set manufacturers such as Thomson and Philips are determined that the directive which replaces it should give the Mac system a boost by forcing new broadcasters and possibly existing satellite companies to use it.

Almost all Europe's satellite broadcasters are opposed to

any form of compulsion. Coopers & Lybrand, the accountants and management consultants, argued in a report last August that few European TV viewers would be able to see Mac anyway. The Coopers report, produced for some of the satellite broadcasters, said that of the 160m European households with televisions sets, 81 per cent received their signals from terrestrial transmitters only. Although this proportion would diminish, Coopers said, terrestrial television would remain more important than any other form of transmission. Mac is not suitable for national terrestrial transmission.

Mac could be of some benefit to viewers who watch cable television, which Coopers puts at 15 per cent of European TV-owning households. The report argues, however, that many cable operators will continue to use the existing broadcasting systems.

Opponents of Mac argue too that developments elsewhere in the world could make the standard redundant. The US is considering what standard to adopt and is expected to opt for a digital HDTV system. As this could be used for all forms of transmission, some argue that Europe should wait to see what standard the US chooses.

Thomson and Philips counter that it could be a decade before fully digital tele-

vision takes off. Widespread adoption of Mac would, they argue, ensure that European companies are not left behind in the development of a critical technology. HDTV technology, they point out, will not just be used in television sets. Its applications will extend to computers, defence and medical equipment.

The case for waiting is strengthened, however, by the experience of Japan, the HDTV pioneers. NHK is due to start transmitting eight hours of high definition television a day from November. With sets selling at ¥4m, however, there are not many takers. Manufacturers are looking at cheaper ways of improving television pictures.

There were plenty of improved definition pictures on offer in Berlin last August. Although they fell short of fully fledged HDTV, they might end up satisfying all but the most fastidious viewers.

High quality definition television pictures exhibited in Berlin in August this year should already satisfy all but the most fastidious viewers

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## Star wars over Europe

EUROPE'S increasingly fraught debate over the future of television transmission standards for high definition TV is shaping the development of the continent's two leading satellite operators, Astra and Eutelsat.

While the European Commission dithers, and electronic manufacturers and programme makers argue the merits of particular standards, the business of putting satellites into space is made increasingly difficult.

Driven by competition, Astra, the private satellite group owned by a consortium of European banks and media groups, is cautious over how much of its capacity it will give over to HDTV transmissions. It already has two TV satellites - Astra 1A and 1B - in orbit broadcasting 26 channels, 22 in the PAL standard and 4 in D-Mac.

The group has so far done well out of attracting business on TV's least radical transmission option, PAL, and has been busy defending the rights of broadcasters to choose their own standards as a consequence.

"Prior to our first launch in 1988, we were in favour of one transmission standard, but we were confronted by two big problems," says Yves Selters at Astra's holding group SES in Luxembourg. "The first was that the UK, Scandinavia, France and Germany all used different standards for D-Mac. Secondly, the equipment for PAL was readily available, whereas the latest Mac equipment was plagued by delays."

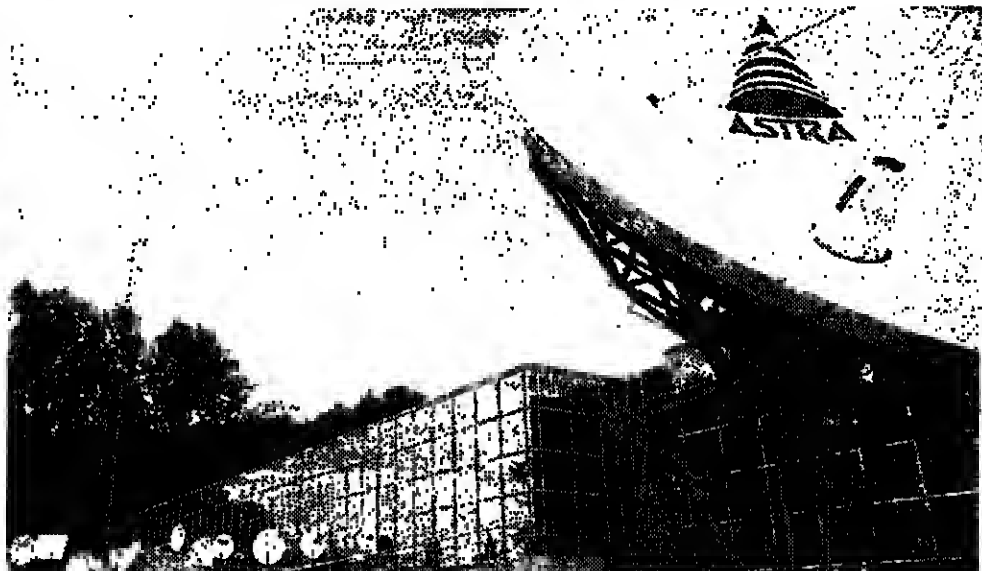
Worryingly for Astra, the latest draft broadcasting directive from Brussels would seem to sound the death knell for PAL, a decision that could have damaging implications for both satellite group and its users.

"The draft directive is clearly outrageous," says Selters. "We believe that broadcasters should be able to use the standard they want and that there should be a gradual move towards standards compatible with HDTV."

Astra and its users are worried that the receiving equipment will not be ready for as quick a change over to D2-Mac as the Commission would like. The result could damage Astra's chances of getting new business on its future satellite launches - which the draft directive has said must broadcast in D2-Mac. Last year, Astra turned in a modest operating profit of LFr360m (£5.9m).

A memorandum of understanding accompanies the draft directive with all the parties concerned as signatories. But Selters says: "We will not be signing it in its present form."

Astra 1C is scheduled to launch in the first quarter of 1993 at a cost of Ecu150m and



Where the sky's the limit: the Astra control centre in Luxembourg

Astra is understandably unclear over the divide between PAL and D2-Mac for the 16 channels available - as are its potential customers. Astra 1D will launch in 1994 with four transponders set aside for HDTV, although Astra is again unable at this stage to give exact specifications.

Eutelsat too is tied by whichever way the Commission decides to fall. However, the group's diversity - 35 per cent of its annual income is from non-TV services - allows it some scope to plan its business. Eutelsat is also a non-profitmaking organisation, owned by a 28-member consortium of Europe's telecoms operators, thus its commercial aspirations differ from Astra's.

"We are creating a modern communications infrastructure and providing a comprehensive satellite service to Europe," says Jean Grenier, Eutelsat's director-general. "Eutelsat is efficient, useful and low-priced."

Because of its non-commercial element and diversification, the organisation has been laying more definite plans for the future. As part of the Eureka project, Eutelsat is garnering support for its Europe-2 satellite which will be launched in 1996 in a Ecu900bn programme involving a total of three launches. The programme is being supported by 10 countries: Germany, Italy, Holland, Portugal, Spain, Sweden, Switzerland, and Yugoslavia. Transmitting in HD-Mac, the new HDTV standard, it will provide 40 channels and payment will be pro rata on usage. Contracts could be signed by next summer.

Ahead of that, Italy, France, Germany and Austria have ordered a provisional HDTV satellite launch from Eutelsat for 1993 - in anticipation at the Commission's move.

However, Brussels is also behind moves which could undermine Eutelsat's relationship with its PIT shareholders and expose it to the icy wind of competition. Under the Commission's "open skies" proposals in its broadcasting Green Paper, Eutelsat would be forced to offer its services direct to third parties, which at present must go through the local telecoms shareholders.

While fighting the proposals, Eutelsat is pressing ahead with a programme of diversification which will ensure its survival. In spite of our TV satellite launch programme, income from TV is if anything likely to reduce in the future," says Vanessa O'Connor head of media communications at Eutelsat. "We don't want to keep our eggs in one basket, so Eutelsat will be looking more at niche markets, like mobile telecommunications."

Another area attracting Eutelsat's attention is the emerging market for telecoms services in eastern Europe. Recently Poland and Romania joined the Eutelsat consortium and others are likely to follow suit. Unlike Astra which has targeted the lucrative western European TV market as its chief source of revenue, Eutelsat believes that the area offers great potential for satellite services. It would also allow the

organisation the chance to extend its influence out of the grasp of Brussels - and to gain greater commercial success.

Christopher Price

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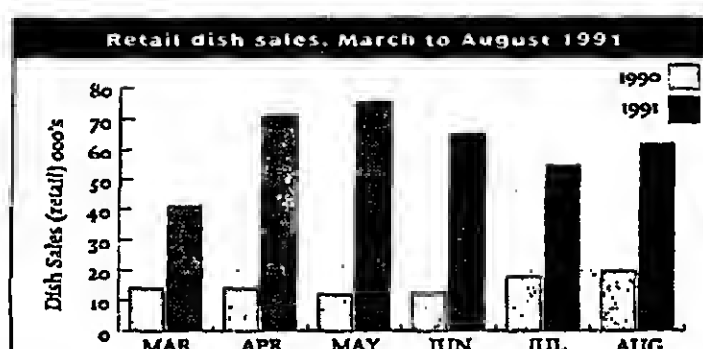
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- ☉ Over 8 million viewers and growing fast. Sky is now in 2.4 million homes throughout the U.K. and Ireland.
- ☉ Over 1 million subscribers to our movie channels.
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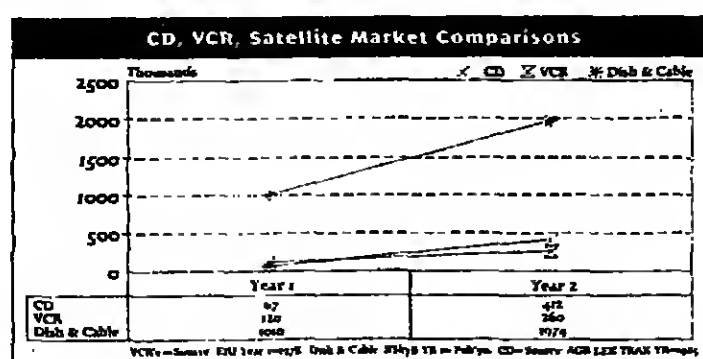
- ☉ Our audience size compared to other ITV regions.

Sky Homes compared with the top 9 ITV Regions

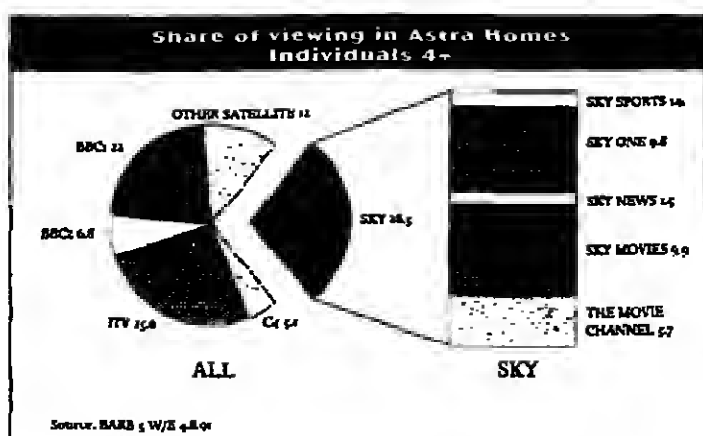
Area	Homes '000's	Area	Homes '000's
1. London	4426	6. TVS	2112
2. Central	3576	7. HTV	1789
3. Granada	2569	8. Anglia	1606
4. SKY	2334	9. Scottish	1393
5. Yorkshire	2287	10. Tyne Tees	1259

Source: ITV Homes, BMRB Establishment Survey March 1991. Sky Homes: Sky Marketing Distribution Dept. August 1991.

- ☉ Satellite TV penetration has been faster than VCR's or CD's.



- ☉ Homes with satellite TV view Sky the most.



- ☉ And we're still expanding. Sky launched The Comedy Channel on 1st October to wide acclaim.

\* Sky is the collective trading name of British Sky Broadcasting Limited and Sky Television PLC.



See what you're missing.



## CABLE AND SATELLITE BROADCASTING 4

The UK cable television market is finally stirring, writes Raymond Snoddy

## A bigger choice for those who want it

CABLE television is starting to take off in the UK eight years after the first experimental franchises were announced by the Government. The results achieved so far may be modest in terms of absolute numbers but they are very real.

A major business is slowly emerging from under the shadow of a more showy rival - satellite television - and a revaluation of the investment potential of cable as an industry by the City and British financial institutions may only be a couple of years away.

"It's nice to see all the things we talked about starting to happen at last," says Mr Michael Storey, director of communications at Videotron, the Canadian cable company which is one of the big players in London.

It has a swathe of seven adjacent franchises running from Thamesmead, Greenwich and Lewisham in the southeast through Kensington and Chelsea to Ealing and Harrow in the west. The company's franchises account for nearly 1m homes or 37 per cent of all the homes in London apart from another 108,000 in Southampton and Winchester.

Michael Storey remembers when the offices of cable companies were rather silent places where the telephone did not ring very often. By contrast Videotron's Lewisham offices are abuzz with customers coming in to pay their bills or callers inquiring about cable television.

Videotron has now well over 45,000 subscribers and should soon top 50,000. Even more importantly over the past year, Videotron says it has taken its penetration rate - the ratio of actual subscribers to the number of homes passed by cable and therefore capable of subscribing - from 14.5 per cent to 25.2 per cent.

The latest official statistics from the Independent Television Commission, the regulatory body for all commercial television, show that 191,610 homes were connected to modern broadband cable networks on July 1.

For the first time, the number of homes passed by multi-channel cable topped 1m, an increase of 79 per cent over the past year. Over the same year penetration has edged up



The network spreads: connecting a home in Swindon, Wiltshire, to the pavement trunk route

gradually from 16 per cent to 18.9 per cent and is still believed to be rising.

More than 40 franchises are now actually operating compared with only 29 last year. "More actual cable will be laid in the streets in the last six months of this year than in the six preceding years. It really is happening," says Mr

**More miles of cable will have been laid in the streets of Britain in the latest six month period than in the preceding six years**

Tony Currie, an executive in the cable division of the ITC.

Several factors have revitalised the current outlook for cable in the UK compared with bleak years when the rhetoric was hollow and so little was happening that it was reasonable to write the industry off.

The main factors are the arrival of large North American investors, improving programme quality helped by the six BSkyB channels and the growing awareness that the provision of local telephone and other telecommunication services will provide an important additional stream of revenue.

The most important factor has been the arrival in force of large North American telephone companies and cable operators - companies which not only believed in the future of cable but were prepared and able to invest the billions of pounds needed to make it happen.

Four of the US Baby Bell

telephone companies are active in the UK - Pacific Telephone, Southwestern Bell, US West and Nynex, the New York and New England telephone company. In addition, apart from Videotron, there are United Artists, Jones Cable, US Cable, Comcast and Bell Canada.

"We saw a long term opportunity in the UK both in cable and telephony," says Mr Wayne Gowen, managing director of US West Cable Communications. The company is involved in franchises covering more than 2.5m homes ranging from Croydon to Edinburgh and Birmingham to the London Borough of Hillingdon.

This US West strategy has been to admit that it is not an experienced cable television operator and has decided to take typically 25-30 per cent stakes in partnership with a number of cable companies including United Artists, Comcast Corporation, Cable Corporation and US Cable.

Apart from investing hundreds of millions of dollars US West is contributing its expertise in developing competing telecommunication services.

Mr Michael Turner, chief executive of Southwestern Bell International, which has franchises covering 1.25m homes including Preston, Telford and the Midlands area west of the M5, is optimistic about cable in the UK.

"We would expect the UK cable business to be profitable for us in about four or five years," says Mr Turner who is optimistic that within two years the results should be good enough to attract in either new investors or raise debt finance.

Southwestern Bell's first penetration rates at around 16 per cent were a little lower than expected but things are now improving and the subscription rate has topped 20 per cent in the Midlands.

Ms Terry Collins, vice president of business development for United Artists Cable which has franchises covering 1.5m homes, believes there is no longer any doubt that cable is going to be a success in the UK.

"People are getting accustomed to a multi-channel envi-

ronment," Ms Collins says. Rather than being a direct rival to cable, satellite television has actually helped to increase awareness of it, she believes.

Cable salesmen head straight for homes with satellite dishes as the best prospects for cable.

"We convert about 70 per cent of dish homes to cable," the United Artists executive says. For many people who see satellite dishes as eyesores, cable can offer more choice.

Among the growing optimism there are some voices of caution. One is that of Mr Graham Duncan, whose cable interests include Aberdeen Cable, one of the few modern cable networks in the country which have been completed.

Aberdeen has around 13,500 subscribers - a penetration rate of 14.5 per cent. Although it is a good business and already a profitable one the rise in subscribers is painfully slow.

Mr Duncan fears that the ceiling for these wanting multi-channel television in the UK may be lower than in the US where more than 50 per cent of homes have cable. It may take 10 years to reach penetration levels of 30-35 per cent in Britain so costs have to be kept low, Mr Duncan believes.

I despair at the levels of costs that some American operators are taking on," Mr Duncan argues.

In Germany, they call it a "Kabel-Boom", writes Don Kirk

## Promise of a rich harvest from holes in the road

AN EXTRAORDINARY "Kabel-Boom" has given Germany the European lead in both cable network distribution and potential cable TV users. There is cable access into 16.2m homes.

With commercial television gaining in popularity, Germany's postal authority, the Bundespost, has stepped up maintenance and distribution of cable facilities. At the same time, alternatives to cable, including parabola arials, have found a lucrative market.

Germans have been at odds with the idea of cable television since 1983. In that year, the Bundespost tore up roads, nearbed gardens and angered citizens with a multi-billion DM project to provide the majority of Germany with cable television books ups. At that time, it was a project with an uncertain future.

Since then the popularity of commercial television has made it good business. Telekom, the telecommunications arm of the Bundespost, expects 1.5m new users this year. By 1995, it claims enough cable will be laid to embrace 80 per cent of all homes in Germany. That means 20m households for a total investment of DM15bn, or DM1.5-DM2bn a year.

The latest development in the cable business followed German unity. The expansion in the size of the country's TV

viewer market forced greater attention on the "underdeveloped" East. Regions around Dresden had never seen anything but Communist television.

This year, Telekom says it will supply some 550,000 homes in eastern Germany with cable TV. By the end of 1992, it plans to provide 1.3m more book ups. By 1997, 90 per cent of all homes in eastern Germany will have cable access.

For many that is not fast enough. A popular alternative is the parabola aerial. After unification, the market exploded. By 1989, manufacturers had sold only 300,000 systems in Germany. Last year alone, it 900,000 were sold - largely in eastern Germany. At present, some 1.1m Germans have "dishes" installed.

Of the 900,000 parabola arials sold last year, only 300,000 were in western Germany. Considering the much lower population of eastern Germany, that means that twice as many parabolas per capita were sold in the former GDR.

The sales potential is phenomenal. It is estimated it would take at least 7m systems to saturate the market. This year alone, manufacturers expect to sell systems for at least DM1.1bn, a 50 per cent increase over last year.

The new market for dish arials is strong, but hotly

contested. The field is covered already by 65 manufacturers. The largest portion of market is covered by six German manufacturers, but foreign manufacturers - particularly Amstrad of the UK - has made considerable strides. Systems worth some DM259m were imported last year, a 200 per cent increase.

Turnover from parabola aerial sales has increased 10 fold since 1989, when Germany launched its first direct satellite Kopernikus, TV-Sat. At the moment, four out of five arials are sold to receive Luxembourg Astra. By June of this year some 1.8m homes in western Germany could receive Astra, according to Astra distributor SES, who also estimate that at least another 1m homes in eastern Germany can also receive Astra programmes.

A study by the Nuremberg based research institute GfK (Gesellschaft für Konsumforschung) shows that 80 of all new satellite arials in Germany are directed at Astra. That has not gone unnoticed at the German networks. ARD the largest German network, has plans to transmit its satellite programme Eins plus, and German pay-TV channel Premiere has a contract with SES.

Up to 38 television, 30 FM radio programmes and 16 digital radio programmes (CD-quality) can be received via

cable. Large picture formats (HDTV) and better sound in TV is planned and the growing popularity of commercial television and radio has strengthened the Bundespost's resolve to increase cable services.

One of the most lucrative possibilities for German cable could be pay-TV. Bertelsmann, Germany's largest media corporation, launched a pay-TV channel this year with French partner Canal-Plus. It has since gained 200,000 subscribers with a mix of top sports events and current movie hits. The Hamburg-based satellite channel hopes to reach 800,000 subscribers by 1994.

Pay-TV in Germany must compete with 20 other television channels, but according to general manager Wolfgang Hunsel the future is bright. "We expect cable TV to become the single largest method of transmission in eastern and western Germany. By 1994, we believe a majority of people will have cable TV."

The combination of parabola and cable is welcome. The pay-TV channel uses Astra to allow transmissions to eastern Germany and makes strides where cable spreads. Hunsel claims the channel will make a profit by 1994. But like other commercial channels in Germany the fate of pay-TV is linked with how quickly cable facilities are made available.

Gulf war was good for French cable, writes Alice Rawsthorn

## Couch potatoes have a field day, thanks to CNN

WHEN the CNN reporters ducked beneath their hotel room tables to dodge bombs while they broadcast from Baghdad during the Gulf War, little did they know that they were giving a sorely needed shot in the arm to France's cable television industry.

Lyonnais Communications, the company providing the Paris cable service, received twice as many telephone inquiries as usual in the first week of the war. Région Cable, the Compagnie Générale des Eaux (CGE) subsidiary which is one of the largest provincial cable operators, also saw a sharp increase in the number of inquiries.

Almost all the new inquiries were eager to plug into cable so they could play couch potatoes while watching round-the-clock war coverage on CNN. This surge in interest was exactly what the cable companies needed as they struggle to meet the French government's target of achieving an audience of 1.3m homes by 1992.

So far France's cable industry has shown no sign of being able to meet this target. By the middle of this year 647,446 French homes subscribed to cable, according to figures from Agence Cable, just over 20 per cent of the 3.2m homes that have access to cable television.

This represents a respectable 26 per cent increase over the

514,806 French homes receiving cable at the end of last year. The CGE networks gained an additional 27,000 subscribers in the second quarter of the year alone.

However the figures disguise the fact that a significant number of France's cable subscribers only receive a limited "mini-basic" service. Some are connected to communal satellite services which only offer the six main terrestrial channels and are unable to take a full service. Others could receive the full service if they wanted, but have chosen not to do so. The number of subscribers with at least 15 channels, including the terrestrial channels, stood at 475,723 by the end of June.

While the French cable companies struggle to increase their subscriber bases, the satellite television system is in a state of stasis. The two Telediffusion satellites - TDF1 and TDF2 - have been dogged by technical problems.

At the same time a shortage of receiving equipment has ensured that the progress of France's satellite system is well behind those of Britain and Germany.

This means that the development of France's cable and satellite systems in the early 1990s is still well behind the ambitious targets set by the government at the beginning of the 1980s.

When the government unveiled its Plan Câble in 1982, it envisaged a system which would be available to 6m French homes by 1992 and would be used by at least one in five of them.

Initially France Telecom had a monopoly over network building, but this came to an end in 1986 after complaints that it was concentrating construction in commercially unattractive areas. At the same time the government abandoned its decision to use expensive fibre optics technology, in favour of a cheaper coaxial system thereby reducing the cost of setting up a new network.

Despite these changes, progress has been slow. One problem was that until recently the programming on the cable services tended to be dominated by foreign language channels. This made it difficult for them to compete against the three new terrestrial channels - Canal Plus, La Cinq and M6 - which were also launched in the 1980s.

Another problem is the difficulty of raising capital to finance the construction and development of new networks. The slow progress of the cable system in its early days still clouds the financial community's perceptions of cable as a potential investment.

Until recently the fledgling cable networks also faced stiff

opposition from the property sector. Earlier this year legislation was passed to allow cable companies to connect subscribers in apartment blocks despite opposition from the landlords. Until then one landlord in 10 had refused to allow his tenants to take cable.

A strop by real estate lobby is the least of the problems facing France's satellite television industry, where the rate of progress has lagged far behind that of cable.

One obstacle has been the shortage of satellite receiving equipment. At the same time the TDF satellite has suffered a series of technical problems. The French government has taken steps to try to rectify these problems, but it will take time before they are fully implemented.

The progress of satellite in France has also been dogged by an absence of the marketing and promotional activity that marked the battle between the competing Sky and BS-S services in the UK before their merger earlier this year. The battle between the British services was crippling costly for both companies, but at least it succeeded in raising awareness of satellite as a broadcasting medium.

Canal Plus is committed to investing in promotion to stimulate French satellite too. It remains to be seen how successful it will be.





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## CABLE AND SATELLITE BROADCASTING 6

Raymond Snoddy probes the success of Britain's 'shotgun' merger

## When two into one had to go

EARLIER this month British Sky Broadcasting, the satellite television venture, launched a sixth channel - the Comedy Channel. It is a somewhat modest offering.

Apart from plans to film the occasional alternative comedian it will mostly feature rather whimsical series bought in from the US and "classic" BBC comedies such as *Steptoe and Son* and *Porridge* bought by British Satellite Broadcasting in the days when BSB aspired to be a "third force" in British broadcasting not unlike BBC and ITV without the latter's bias.

The launch of the new channel was also partly a marketing ruse launched in the hope that viewers would be laughing too hard to notice that the price of the subscription film had just risen by £2.3 a month.

Nevertheless, the decision to launch an extra channel at all is a small symbol of growing confidence at the merged television group that has so far absorbed combined losses of more than £1.5bn.

By any standards, the progress of satellite television in the UK in the past year has been dramatic. Last October, two powerful competitors, Mr Rupert Murdoch's Sky Television, badly trailed by British Satellite Broadcasting, were each spending fortunes in splitting the still nascent market. By the end of that month the total number of homes receiving satellite television direct totalled just over 1.1m including around 175,000 Squarials.

Last November's merger of these two satellite rivals came out a moment too soon. BSB was about to miss its next sales target set by the banks which would in turn have almost certainly blocked the next tranche of financing, triggering a financial crisis.

In turn, Mr Murdoch's News Corporation was in serious trouble over a \$7.5bn refinancing - more serious than was probably realised at the time. The bankers were insisting that something had to be done about Sky's losses before they agreed to the refinancing.

In the end there was a rough equality of misery with Sky taking on 50 per cent of the losses and the risk and the main BSB shareholders - Granada, Pearson, Chargeurs and Reed International, shouldering the rest. In April, Reed decided to invest no more in the venture and its stake has been heavily diluted as a result.

Almost a year later, the total number of dishes was just 1.8m

and continuing to rise by around 65,000 a month. With an extensive marketing campaign under way the total number of dish homes might reach 2m before the end of the year although sales could just fall short.

But much more important than the growth in the number of actual dishes has been the transformation in the finances of the company since the "shotgun" merger.

The BSB culture and virtually all its staff were obliterated as staff and channels were combined but total losses running at around £11m a week have been reduced to around £1.5m a week in operational terms.

Apart from the Comedy Channel, the BSKyB programme package on the Astra satellite is made up of two film channels - the legacy of the separate film packages bought from Hollywood in a high-spending auction between Sky and BSB-Sky News, Sky One, the general entertainment channel, and Sky Sport.

It may have been a crazy way to organise a satellite television venture but what BSKyB has managed to buy at high cost is a virtual subscription television monopoly in the UK. All the available evidence suggests that the only forms of



Popular offering: return of the Steptoes

television that consumers are prepared to pay extra for are recent Hollywood films and, to a lesser extent, high quality sporting events.

BSKyB has long term deals with all the main Hollywood studios and it is very difficult to see how anyone trying to launch subscription television in the UK could challenge that dominance.

At the end of August, according to Mr Gary Davey, the BSKyB deputy managing director, the satellite venture was available to a total of 2.4m UK



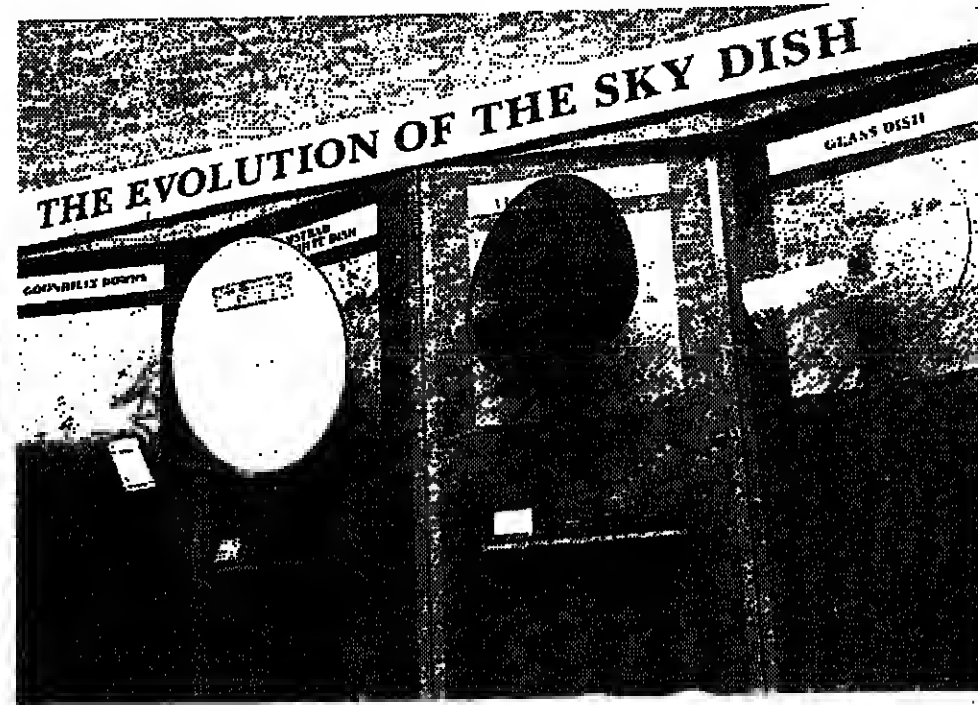
Rupert Murdoch: a sharp reduction in losses

homes by all methods of distribution including cable. The Broadcasters' Audience Research Bureau figures suggest a total closer to 1.9m.

BSKyB does, however, have totally precise figures for the number of homes paying a monthly subscription. At the end of August, Mr Davey said that a total of 1.287m homes subscribed to at least one film channel whatever the method of distribution. There were slightly more than 1m subscribers in homes with satellite dishes with 568,000 paying for

both film channels at a current cost of £18.98 a month. Mr Frank Barlow, managing director of Pearson and chairman of BSKyB, has become increasingly optimistic about the prospects for the venture and has said repeatedly he believes it will break even in operational terms.

Opinion is much more divided on whether BSKyB has a realistic chance of making a real profit without writing off some of the enormous debts of the past. Because of the nature of the subscription television



Shapes of the future: an exhibit at Astra's Luxembourg control centre

business - once you reach a critical mass of viewers the profit margins on additional customers becomes very high - some investors believe they can manage without write-offs.

BSKyB clearly has residual problems. The joint venture is still being used by manufacturers of BSB equipment left in the lurch by the sudden merger. There are also the costs of making good the promise to replace around 200,000 Squarials with Astra receiving equipment before the end of next year when dual broadcast-

ing on both the Astra satellite system and the BSB Marco Polo satellites is due to end. There are also fears that a new satellite to be launched by the Entelsat, the European consortium of telephone operators, into a similar orbit to that of Astra will cause interference with BSKyB pictures and require 80cm rather than 60cm dishes.

Perhaps the greatest uncertainty of all that BSKyB faces is not knowing whether its audience will continue to grow. All the signs are that if there is such a ceiling it is higher than 2m. The latest FT Satellite Monitor, produced by Continental Research, found that in September 339,000 said they would definitely install satellite television and a further 2m said they probably would.

The pressing task for BSKyB now is to try to convert as many of those "probables" into "definites" as soon as possible. The strategy will almost certainly include hiving up the rights to attractive sporting events.

TV cable players have the telephone market in their sights

## The opposition goes underground

phone subscribers is now exceeding that of the 15,550 television subscribers in the Windsor area although the profit margins are not so great.

Whether it is the clearer voice quality on the calls, the discounts or the fact that heavy telephone users are the

'We are whacking in about 500 extra phone lines a month'

ones attracted in the first place, cable telephone subscribers use their telephones a lot and spend more than average.

The average residential Windsor subscriber spends an average of £23 a month on calls compared with a national average of about £13. The average business subscriber is spending around £140 a month on call charges, again higher

than average. The benefits go beyond telephone revenues. The two services coming out of the same ditches in the ground - telephony and television - reinforce each other in the minds of subscribers.

When you start to offer a cheaper telephone service, Mr Halfhead argues, television subscription rates go up by 75 per cent from around 17 per cent with cable alone to between 27 per cent and 30 per cent.

A 30 per cent penetration rate is a magic threshold for cable companies: get over it and cable becomes a seriously profitable business.

The Cable Corporation is just beginning work on its Middlesex franchises in the London boroughs of Hillingdon and Hounslow. But it is so convinced of the value of telecommunication services that it is installing the equipment for both television and telephone services from the outset.

The experience in Windsor may be slightly untypical because the franchise area includes the Slough trading estate with its high density of potential business users.

But there is a growing view that cable and telecommunications are going to be important for each other. Overall the number of cable telephone lines is between 12,000 and 13,000 and rising fast.

CIT Research, the communications research group predicted recently that cable telephony could be worth £1.35bn a year by the year 2000 with 700,000 households and 100,000 businesses subscribing.

According to CIT, however, cable television operators will pass £1.1bn of their revenues straight to trunk operators like BT and Mercury keeping just 20 per cent for themselves. Even that would amount to an important revenue stream for cable. Mr Rob

Ollershaw of CIT estimates that cable operators will manage to capture less than 10 per cent of the telecoms market by the year 2000 but this will account for 38 per cent of total cable TV revenues which will play a vital role in the industry's survival.

Cable might do even better out of telecoms.

The Government's monopoly review, which opened the way to increasing competition for BT and Mercury, allows cable television companies to take charge of their own destiny. Companies can not only take over responsibility for switching their own local calls but can go to a third party to handle their trunk calls.

The cable industry is already talking with potential rivals to BT and Mercury. New entrants to the market are likely to include consortia headed by British Rail, the waterways and canal companies, the Post Office and even

the privatised IBA transmitter company National Transcommunications.

The impact of cable telephony will go far beyond the local network - it is the point of access for a whole world of competitive and advanced telecommunications services both for now and the future.

All the big American phone companies want to move in

according to the Cable Television Association.

Cable will be the main way, the Association adds, to bring advanced telecommunications services to residential customers and medium-sized customers.

All the big North American telephone companies are keen on offering telephony to their cable customers and most are doing it from the outset.

Initially, Southwestern Bell was a little cautious about the regulatory framework but is now confident enough to go ahead. It is believed that telephony is in the company's business plans for 1992.

Apart from Windsor, the main parts of the country where cable telephony is available include Birmingham, Avon and the London franchises of Tower Hamlets, Camden, Haringey, Croydon and Merton and Sutton.

In all but Tower Hamlets, US West, one of the four US Baby Bell companies with major investments in British cable, has a stake.

"Cable TV and telephony services are proving very valuable to UK consumers," according to Mr Wayne Govan, the US West managing director.

"US West will continue investing both in UK cable infrastructure and in core skilled people to move the industry forward, expanding telephone services and providing the UK public with the choice it deserves," he added.

Some hope that cable will emerge as a third competitive force to both BT and Mercury.

Raymond Snoddy

Harriet Arnold finds out what's on offer

## Cultural allsorts

AS multi-channel television has struggled to gain a presence in the living rooms of the UK, high-brow cultural Cassandras have tended to conjure up a vision of future of wall-to-wall tack - in taste, variety and packaging the equivalent of an airport bookstall.

Cable and satellite programme providers, however, promise something more like a broadcasting Charing Cross Road, where the bibliophile chooses between the big generalist bookshop or the sci-fi specialist, the remaindered titles shop or the seller of classic vintage stock.

Jon Davey, director of cable at the Independent Television commission, observes that while demand for cable and satellite television is driven by demand for the movie and general entertainment channels among programme providers, "the tendency appears to be to specialise. Programmers are looking for their own particular niche."

The technology makes it possible in theory for homes to receive around 30 channels - and more will become available. Thus while the biggest drawers of subscribers are the movie and general entertainment channels, the programme providers can supply a diverse range of themed programming services - it is feasible that they can please more of the people more of the time. For both cable and satellite, subscriptions are likely to remain a vital source of revenue (in the US about 90 per cent of revenue is from subscription and 10 per cent from advertising, albeit a crucial contribution). If you want sport, tune into a sports channel at almost any time of the day. If you want to mesmerise the kids during the whole of any day of the week, tune in to a children's channel.

As Michael Storey, director of communications at Videotron, with franchises around London and the south-east, says: "It is all about choice and diversity. We need as much diverse programming as possible to meet the needs of our cosmopolitan marketplace. We are interested in every incremental segment of the market that we can attract." Hence,

Videotron includes alongside more mainstream programmes services in Japanese, Arabic and Indian languages.

Yet the experience in the US and in continental Europe has tended to confirm high-brow fears of several channels devoted to gameshows, soap and soft-porn and not much else. In the UK, Ms Jane Perry, research director of Young and Rubicam Media in Europe, agrees that initial figures also indicate downmarket taste, but she believes that a historical and technological may be partly responsible for this.

As further relatively upmarket areas are targeted by the cable operators, Jane Perry believes, new leafy-suburb audiences will be prepared to pay a premium to receive a package of programming that includes 24-hour news and current affairs, movies, music and documentaries.

The question remains, however, how many people will be prepared to pay how much for, say, a dedicated opera service.

In the US, Betsy Frank, a new media director at Saatchi and Saatchi advertising agency in New York, reflects on the triumph of experience over hope: "The picture painted 10 years ago of what the TV environment would be like is different from what we have got." It was thought that the brave new broadcast world would feature diversity and experimentation, a different kind of television. It sounds familiar. But relatively high production costs and lack of advertising dollars and audience interest intervened.

However, some new ventures such as courtroom TV, sci-fi and Celtic interest channels, are coming on stream. But, warns Ms Frank, "how much control do you have over what is available to you individually?"

The following are a selection from the range of UK-based programming available on cable and satellite. In terms of percentage of total weekly viewing taken by each channel in homes receiving that particular channel Sky Movies+, Sky One, and The Movie Channel are well ahead followed by the Children's Channel, Sky Sports and MTV.

Sky One: General entertainment, including thematic specials such as a block of sci-fi features on a particular night. Sky Movies: Films, including TV premieres of recent films. In Bed With Madonna, for instance, and special events.

Sky News: 24-hour news and current affairs, which like CNN proved itself at crucial moments in the Gulf war and the Gorbachev coup. Movie Channel: Movies and movie information.

Sky Sports: UK and international action and news. Packed with a number of live coverage coups.

Comedy Channel: New Sky service ranging from Carry On films to Steptoe and Son to Here's Lucy.

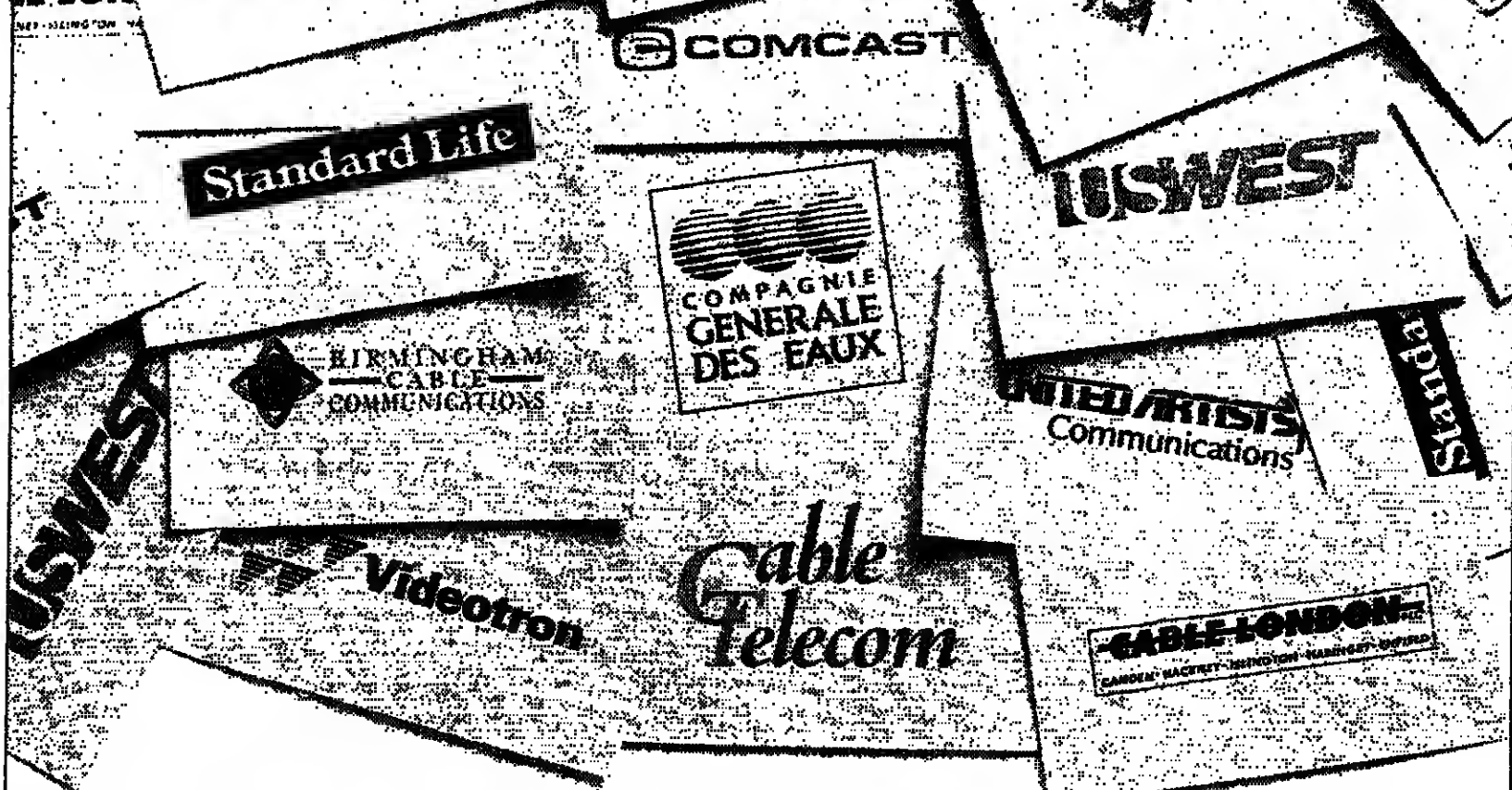
Children's Channel: Ais children's programmes throughout the day, ranging from old features such as Ivor the Engine to drama series, gameshows, and magazines.

CNN: 24 hours of news, current affairs, sport, live coverage of international events. Indra Dhanush: On cable only to 12 operators: mostly Hindi language but also Pakistani and Punjabi films. Output includes music, magazine and star interviews and drama serials.

Japan Satellite Television: Japanese-language output, much of it supplied by Japanese public broadcaster NHK, of news, drama, documentaries, children's and special events. Supplies most London cable TV plus Swindon and Milton Keynes.

MTV Europe: 24-hour broad pop music theme including videos, concerts, documentaries and specials, such as Dire Straits planned for November. Lifestyle: aimed at women during the day with magazines and general entertainment. Discovery: Documentaries on nature, wildlife, science and technology themes. Recently ran a "Shark Week" and has bought in the Voyager series. Yesterday in The Communist Coverage from the House of Commons. Egyptian Satellite TV: national Egyptian TV broadcast in real time via ArabSat. There are many, many, various channels receivable from continental Europe.

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